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KEDI ECONOMIC SURVEY

December 1989

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SOURCES:

U.S.Department of Commerce third estimate of 1989:3, National Income and Product data, December 20, 1989.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, December 1989.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recent data point to a slow growth of the economy in months ahead without any signs of a recession.

Prices

In November, Producer Price Index for finished goods dipped .1% after rising .1% in October.

Employment & Labor

The economy is on a slow upward path with no sign that it is on the way to a recession.

Housing

Completions of new homes fell by 3.5% in October to an annual rate of 1.31 mil. units, 13.5% lower than October 1988.

Automobiles

In early December, the seasonally adjusted annual rate for car sales was 5.5 mil. compared to 6.2 mil. for last November.

Budgets

It is anticipated that for the fiscal years 1991-1992 the defense budget cuts will be minimal of about $5-10 bil.

Income

Forecast data for personal income and components in 1990 and 1991 do not indicate any major disturbances.

Money & Credit

Look for the Federal Reserve to ease monetary and credit policy, but at a cautious pace.

Interest Rates, Yields & Securities Prices

Forecast of gradual declines of interest rates throughout the next year is maintained.

0.02 ASSUMPTIONS

	Last Update
1. In 1989, the weighted price of oil will increase slightly as compared to 1988. It will continue increasing in the 1990-1991 period.	July 1989
2. Tightening of monetary and credit policies in the first half of 1989, is expected to be followed by some relaxation in the second half of 1989 and throughout 1990.	September 1989
3. In 1990 and 1991 good crops in most of the main producing countries are anticipated.	October 1988
4. Foreign trade with China and the USSR will expand in 1989 and following years	June 1989
5. Average rates of growth in 1985-1990 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.1% Great Britain 2.1%; France 2.0%; Japan 3.1%; Canada 2.6%	September 1987
6. No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

* Table 0.00 on page 3 shows forecast data of selected indicators of the December 1989 KEDI forecast.	
* In 1989 solid growth is expected. It will slow down a bit in the second half of 1989 and resume the upward trend afterward.	June 1989
* The upward trend will continue throughout 1990-1992.	January 1987
* Forecast data for 1989-1992 do not point to to recession or major downturn.	January 1987
* In 1990 interest rates will be declining slightly.	June 1989
* Federal budget deficits will keep declining in in 1989 and the following years.	January 1987
* The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1988	1992	1993	1994
Gross national	bil. 82$	4024.4	4487.4	4608.6	4728.4
product, p. 5	% change	3.9	3.0	2.7	2.6
Index of indust.	1977=100	137.2	153.0	158.0	163.4
prod., p. 5	% change	5.7	2.5	3.3	3.4
Capacity	%	83.6	83.4	82.1	81.6
utiliz., p. 5	% change	1.1	.2	-1.6	-.5
Unemployment	%	5.5	5.3	5.5	5.4
rate, p. 5	% change	-11.3	.2	-1.2	-1.1
Private housing	mil.units	1.5	1.7	1.7	1.8
starts, p. 5	% change	-8.2	4.1	-1.5	3.8
Car sales,	mil.units	10.6	11.2	11.6	12.0
p. 5	% change	3.2	3.1	2.8	4.0
Implicit GNP	1982=100	121.3	142.8	148.0	153.4
price def.,p.11	% change	3.4	3.5	3.6	3.7
Consumer Price	1967=100	118.3	139.4	144.2	149.3
Index, p. 11	% change	4.1	3.6	3.4	3.6
Prod.Price Index	1967=100	108.2	129.7	135.6	140.7
(fin.goods),p.11	% change	2.7	4.3	4.5	3.8
Federal Deficit	bil. $	-133.5	-66.7	-53.1	-43.1
p. 21	% change	-15.4	-17.5	-20.4	-18.9
Personal Income	bil. $	4064.5	5587.3	5972.8	6414.8
p. 23	% change	7.5	7.6	6.9	7.4
Prime Rate	%	9.4	9.8	10.5	11.4
p. 27	% change	14.4	-2.0	7.5	8.0
Mortgage Rate	%	9.1	9.9	9.6	9.8
p. 27	% change	1.2	6.0	-2.7	1.8
Currency+demand	bil. $	776.7	869.9	923.9	980.2
deposits , p. 25	% change	4.4	5.5	6.2	6.1
Commercial+ind.	bil. $	556.0	571.6	588.1	600.5
loans, p. 25	% change	5.3	2.8	2.9	2.1
Raw steel	mil.sh.tons	92.6	94.1	95.1	94.9
production	% change	3.4	-.9	1.1	-.2
Electric power	mil.kw-hr	2762	3032.4	3144.6	3270.4
production	% change	4.9	3.4	3.7	4.0
Bituminous coal	mil.sh.tons	936	986	998.8	1013.8
production	% change	1.8	1.1	1.3	1.5
Crude oil	avg. daily bbl.	3013	3142	3176.9	3218.2
output	% change	-.2	2.0	1.1	1.3
Retail sales	bil. $	1613.4	2179.6	2330.0	2500.1
p. 7	% change	6.8	7.2	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENT DATA POINT TO A SLOW GROWTH OF THE ECONOMY IN MONTHS AHEAD WITHOUT ANY SIGNS OF A RECESSION.

Data and reports indicating that the economy is expanding:

* trade deficit in the third quarter shrunk by $9.9 bil. to $22.69 bil. In October it widened, temporarily, to $10.2 bil.

* in the third quarter of this year, productivity in the non-farm area rose by 2.5%, compared to 1.1% in the second quarter

* in November, retail sales increased by .8%, the biggest gain since August

* new orders for manufactured goods fell slightly in October, but excluding military orders, they increased by .3%

* Index of Industrial Production rose by .1% in November

* Producer Price Index for finished goods declined by .1% in November

* for November, unemployment rate rose by statistically insignificant .1%

* the survey conducted by the Fed of its 12 district banks, released Dec. 6 concludes that the economy is "stable to modestly expanding"

* in the latest group forecast of the National Association of Business Economists, released recently, 62% of its members said the next recession is at least three years off.

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ 3.20%	Private Housing Starts
+ .05%	Unemployment
+ .02%	GNP
+ .02%	Index Indus. Prod.
- .51%	Capacity Util.
- 1.44%	Autos

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1977=100	Unem- ploy ment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1988*	4024.4	137.2	5.50	83.6	1.488	10.6
1989:1*	4106.8	141.0	5.17	84.3	1.518	9.9
2*	4132.5	141.7	5.27	84.4	1.383	10.3
3*	4162.9	142.2	5.23	83.0	1.372	10.7
4	4163.1	142.0	5.42	82.6	1.506	10.1
YEAR	4141.3	141.7	5.27	83.6	1.4	10.2
% change from '88	2.9	3.3	-4.1	-.0	-2.9	-3.3
1990:1	4180.2	142.4	5.41	82.8	1.314	10.0
2	4224.0	143.3	5.38	83.1	1.523	10.2
3	4253.7	145.6	5.34	83.2	1.599	10.7
4	4290.9	146.9	5.32	83.2	1.606	10.9
YEAR	4237.2	144.6	5.36	83.1	1.510	10.4
% change from '89	2.3	2.0	1.7	-.6	4.6	2.0
1991:1	4322.3	147.6	5.28	83.1	1.536	10.7
2	4345.1	148.1	5.22	83.2	1.698	10.9
3	4368.9	149.2	5.20	83.3	1.754	11.2
4	4390.6	152.0	5.26	83.3	1.691	10.8
YEAR	4356.7	149.2	5.24	83.2	1.670	10.9
% change from '90	2.8	3.2	-2.3	.2	10.5	4.3

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1989 FORECAST DATA

Percent Change from November 1989 Forecast

+ .61%	Retail Sales Durable
- .02%	Pers. Con. Expend. Services
- .11%	Pers. Con. Expend. Durables
- .13%	Pers. Con. Expend. Nondurable
- .54%	Retail Sales Nondurable
- .67%	Retail Sales Total

THE NOVEMBER .8% INCREASE OF RETAIL SALES, COMPARED TO THE OCTOBER FIGURES, EMBRACED BOTH DURABLE GOODS AND NONDURABLES WITH DRUGSTORES THE ONLY CATEGORY SHOWING SLIGHT DECLINE.

Among durables, the strongest increases took place in building materials and furniture stores, and among nondurables, general merchandise, food, gasoline stations, and apparel stores were leaders.

Data for early December point to strong gains in nondurables and most durables, except automotives. Forecast of record Christmas sales is maintained: record volumes in nondurables, slow sales of motor vehicles, modest profits of retailers due to aggressive discounting.

The outlook for retail sales in 1990 is optimistic. Forecast data point to a weak first quarter followed by strong gains in the second till fourth quarter of the year. Sales of motor vehicles are expected to recuperate in the second quarters.

Forecast data for the year indicate fairly good gains of food stores, general merchandising, building materials, specialty stores, and gasoline stations.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1988*	455.2	1052.3	1727.6	1629.2	628.5	1000.6
1989:1*	467.4	1078.4	1778.2	1676.0 R	639.2 R	1036.8 R
2*	471.0	1121.5	1851.6	1705.6	648.0 R	1057.6
3*	486.1	1131.4	1890.6	1742.0 P	672.4 P	1069.6 P
4	491.7	1146.3	1881.0	1770.9	689.2	1081.7
YEAR	479.1	1119.4	1850.4	1723.6	662.2	1061.4
% change from '88	5.2	6.4	7.1	5.8	5.4	6.1
1990:1	500.1	1170.5	1917.6	1810.2	692.1	1118.1
2	508.1	1188.5	1983.7	1844.3	708.5	1135.8
3	514.2	1202.1	2040.8	1871.5	716.0	1155.5
4	530.7	1217.6	2167.5	1936.9	728.7	1208.2
YEAR	513.3	1194.7	2027.4	1865.7	711.3	1154.4
% change from '89	7.1	6.7	9.6	8.2	7.4	8.8
1991:1	547.3	1258.8	2165.5	1974.1	742.1	1232.0
2	560.2	1271.4	2182.2	2004.2	757.4	1246.8
3	578.0	1300.5	2216.8	2051.1	781.3	1269.8
4	590.1	1319.5	2237.6	2103.5	803.0	1300.5
YEAR	568.9	1287.5	2200.6	2033.2	771.0	1262.3
% change from '90	10.8	7.8	8.5	9.0	8.4	9.3

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* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ .03%	Gross Private Dom. Inv.
+ .02%	GNP
- .02%	State Local Purch.
- .05%	Pers. Cons. Expend.
- .09%	Federal Govt. Purch.
- 3.71%	Net Exports

KEDI FORECAST DATA MAINTAIN THE 2.4% GROWTH IN 1990 AND ACCELERATION TO 2.9% IN 1991.

Such forecast for 1990 is a bit less optimistic compared to the Administration's 2.6%, but far above the 1.7% expected by 50 economists poled most recently by Blue Chip Economic Indicators.

Forecast data of components of GNP point to personal consumption expenditures, and business fixed capital formation, foreign trade as main contributors to the growth of GNP in 1990. The growth of Federal expenditures on goods and services is expected to slow down somewhat. Residential construction is expected to gain modestly when compared to a meager performance this year.

Compared to the second estimate of GNP 1989:3, the Department of Commerce third and last estimate has not produced any significant changes in data.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross National Product: Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1988*	4024.4	2598.4	715.8	-74.9	328.9	456.2
1989:1*	4106.8	2641.0	721.1	-55.0	335.5	464.2
2*	4132.5	2653.7	719.8	-51.2	343.6	466.7
3*	4162.9	2690.1	724.6	-57.1	336.1	469.2
4	4163.1	2676.9	738.7	-70.1	346.0	471.6
YEAR	4141.3	2665.4	726.0	-58.4	340.3	467.9
% change from '88	2.9	2.6	1.4	-22.1	3.5	2.6
1990:1	4180.2	2681.7	739.4	-62.0	348.1	473.0
2	4224.0	2714.4	741.5	-61.1	352.1	477.1
3	4253.7	2735.4	743.7	-57.2	352.1	479.7
4	4290.9	2754.6	744.6	-50.3	357.7	484.3
YEAR	4237.2	2721.5	742.3	-57.6	352.5	478.5
% change from '89	2.3	2.1	2.2	-1.2	3.6	2.3
1991:1	4322.3	2770.9	749.7	-47.0	360.7	488.0
2	4345.1	2786.6	752.3	-46.2	362.3	490.1
3	4368.9	2795.7	753.6	-44.0	368.4	495.2
4	4390.6	2807.3	755.8	-41.5	370.2	498.8
YEAR	4356.7	2790.1	752.9	-44.7	365.4	493.0
% change from '90	2.8	2.5	1.4	-22.5	3.7	3.0

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+	.16%	Consumer Price Index
+	.04%	GNP
+	.02%	State Local Purch.
-	.02%	Federal Govt. Purch.
-	.02%	Pers. Cons. Expend.
-	.20%	Producer Price Index

IN NOVEMBER, PRODUCER PRICE INDEX FOR FINISHED GOODS DIPPED .1%. EXCLUDING FOOD AND ENERGY PRICES, IT ROSE A MODEST .2%, AFTER RISING .1% IN OCTOBER.

For the earlier stages of the production process, the data are also favorable: prices of intermediate goods fell .1% compared with no change in October, and prices of crude rose .4% after holding steady in October. Excluding food and energy, crude goods prices dropped 2.3%.

November Consumer Price Index has also recorded a modest gain only.

KEDI forecast data for U.S. producer prices and the consumer price levels in 1990 are optimistic and point to respective 4.2% and 4.3% increases.

In consumer prices, main increases are expected in the services, transportation, and energy sectors while food, apparel, upkeep, pharm,aceuticals, home electronics, building materials are expected to record only moderate gains.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--*		*-------Price deflators--------*			
	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1988*	118.3	108.0	121.3	124.5	115.9	128.8
1989:1*	121.7	111.7	125.1	124.5	118.9	132.9
2*	123.7	113.8	125.9	126.8	118.2	134.4
3*	124.7	113.6	126.9	130.4	119.8	135.6
4	125.1	114.0	127.9	131.4	121.0	136.4
YEAR	123.8	113.3	126.5	128.3	119.5	134.8
% change from '88	4.6	4.9	4.2	3.0	3.1	4.7
1990:1	126.2	115.3	129.4	133.8	122.4	137.6
2	128.7	117.4	130.6	135.6	123.0	138.7
3	129.8	119.4	132.0	137.4	124.5	140.9
4	131.4	120.8	135.4	142.2	125.1	142.9
YEAR	129.0	118.2	131.8	137.2	123.8	140.0
% change from '89	4.2	4.4	4.3	7.0	3.6	3.9
1991:1	132.5	122.0	136.2	143.3	126.0	143.4
2	133.7	124.2	137.0	144.0	127.1	144.8
3	135.2	125.3	138.8	146.5	128.4	146.2
4	136.9	126.0	140.0	147.7	129.6	148.7
YEAR	134.6	124.4	138.0	145.4	127.8	145.8
% change from '90	4.3	5.2	4.7	6.0	3.3	4.1

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*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ .04%	Gross Private Dom. Inv.
+ .03%	GNP
- .04%	Federal Govt. Purch.
- .05%	State Local Purch.
- .08%	Pers. Cons. Expend.
- 7.42%	Net Exports

THE THIRD AND FINAL REVISION OF GNP DATA FOR THE THIRD QUARTER OF THIS YEAR LEFT THE TOTAL VALUE AND VALUES OF THE GNP COMPONENTS ALMOST UNCHANGED WHEN COMPARED TO THE SECOND ESTIMATE.

The outlook for current GNP in 1990 calls for some slowing down in the first quarter of the year, due mainly to the expected modest gain in the real GNP and slowing down in general price increases. For the second quarter and afterward data show the economy regaining the strength, notably in the housing and car segments, and in continuous improvements in the foreign trade position due to expected faster growth of exports over imports. Data point to a continuous slowing down in expenses of the Federal Government while spending in the state and local segment will continue at a strong pace.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross National Product					
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	4880.6	3235.1	750.3	-73.7	381.3	587.6
1989:1*	5113.1	3381.4	769.6	-54.0	399.0	617.0
2*	5201.7	3444.1	775.0	-50.6	406.0	627.2
3*	5281.0 P	3508.1 P	779.1 P	-45.1 P	402.7 P	636.2 P
4	5324.6	3519.0	798.5	-56.2	420.0	643.3
YEAR	5230.1	3463.2	780.5	-51.5	406.9	630.9
% change from '88	7.2	7.0	4.0	-30.2	6.7	7.4
1990:1	5409.2	3588.2	801.2	-57.1	426.1	650.8
2	5516.5	3680.3	799.4	-58.0	433.1	661.7
3	5614.9	3757.1	798.7	-55.2	438.4	675.9
4	5809.9	3915.8	803.8	-49.3	447.5	692.1
YEAR	5587.6	3735.4	800.8	-54.9	436.3	670.1
% change from '89	6.8	7.9	2.6	6.7	7.2	6.2
1991:1	5887.0	3971.6	807.8	-46.7	454.5	699.8
2	5952.8	4013.8	809.2	-40.4	460.5	709.7
3	6064.0	4095.3	812.6	-40.9	473.0	724.0
4	6146.8	4147.2	815.6	-37.5	479.8	741.7
YEAR	6012.7	4057.0	811.3	-41.4	466.9	718.8
% change from '90	7.6	8.6	1.3	-24.6	7.0	7.3

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ .01%	Population
0.00%	Agriculture
- .12%	Civilian Labor Force
- .14%	Unemployment
- .19%	Total Employed
- .20%	Non Agriculture

THE EMPLOYMENT DATA FOR NOVEMBER TOGETHER WITH THE DOWNWARD REVISIONS FOR OCTOBER HAVE CONFIRMED THAT THE ECONOMY IS ON A SLOW UPWARD PATH AND GAVE NO SIGN THAT IT IS ON THE WAY TO A RECESSION.

Growth of business payrolls has slowed to an average of 160 tho. a month in the second half of this year from an average 270 tho. a month in the preceding two-and-one-half years.

Business outside the farm sector added 210 tho. new jobs the last month, mainly as increases in the service sector, especially health and finance and real estate.

Forecast data on employment by industries indicate that the impact of the current and expected layoffs in the automotive segment or related industries will not be significant. Increases in the unemployment rate in the last quarter of this year and in the last quarter of this year, and in the first quarter of 1990 pertain almost exclusively to the automotive segment while the forecast data for the other segments indicate moderate trends without any major disturbances.

The 1990 employment forecast shows the economy getting back in shape in the second quarter of the year and afterward.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1988*	249.8	121.7	115.2	3.2	113.6	5.50
1989:1*	253.9	123.3	116.9	3.2	113.6	5.17
2*	254.3	123.8	117.3	3.2	114.1	5.27
3*	255.1	124.0 R	117.7 R	3.2	114.5	5.23
4	256.0	125.5	118.7	3.2	112.6	5.42
YEAR	254.8	124.2	117.5	3.2	114.3	5.27
% change from '88	2.0	2.0	1.9	0.0	.6	-4.14
1990:1	257.4	126.0	119.2	3.2	116.0	5.41
2	258.9	126.9	120.1	3.2	116.9	5.38
3	260.2	128.0	121.2	3.2	118.0	5.34
4	261.8	128.8	121.9	3.2	118.7	5.32
YEAR	259.6	127.4	120.6	3.2	117.4	5.36
% change from '89	1.9	2.6	2.6	0.0	2.7	1.71
1991:1	262.4	129.4	122.6	3.2	119.4	5.28
2	263.5	130.1	123.3	3.2	120.1	5.22
3	265.1	131.3	124.5	3.2	121.3	5.20
4	266.4	132.4	125.4	3.2	122.2	5.26
YEAR	264.4	130.8	123.9	3.2	120.7	5.24
% change from '90	1.8	2.6	2.7	0.0	2.9	-2.28

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ .88%	Multiple Family Housing Starts
+ .40%	Permits Issued
+ .15%	1-Family unit price existing
- .05%	1-Family unit price new
- .45%	Single Family Housing Starts
- 6.08%	Mobile Home Shipments

COMPLETIONS OF NEW HOMES FELL BY 3.5% IN OCTOBER TO AN ANNUAL RATE OF 1.31 MIL. UNITS, 13.5% LOWER THAN IN OCTOBER 1988.

Positive aspect is seen in completion of single-family homes which rose 2.7% to an annual rate of 978 tho. units, while multi-family housing, a volatile segment, dropped 18.1% to 334 tho. units. The drop in multi-family units is seen here as a temporary aberration from the trend.

KEDI prediction of housing starts remains essentially unchanged: the trough of housing is behind us. However, the sluggish pace is expected to keep improving only gradually with more significant lift starting in the second quarter of the next year, when mortgage rates are expected to drop more significantly.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1988*	1.081	.407	.218	1.456	139.0	112.5
1989:1*	1.070	.448	.217	1.373	144.0	115.6
2*	.994	.389	.202 R	1.319	146.7	116.5
3*	.996	.376	.198	1.301	150.4	121.7
4	1.117	.389	.202	1.248	155.0	122.9
YEAR	1.044	.401	.205	1.310	149.0	119.2
% change from '88	-3.4	-1.6	-6.1	-10.0	7.2	5.9
1990:1	1.010	.304	.203	1.330	156.1	124.0
2	1.114	.409	.220	1.501	157.6	128.1
3	1.157	.442	.236	1.492	163.0	129.2
4	1.178	.428	.227	1.526	164.5	130.5
YEAR	1.115	.396	.222	1.462	160.3	127.9
% change from '89	6.8	-1.2	8.2	11.6	7.6	7.4
1991:1	1.120	.416	.218	1.514	168.4	134.0
2	1.248	.450	.238	1.613	170.1	135.6
3	1.287	.467	.242	1.690	175.0	138.7
4	1.260	.431	.249	1.601	177.2	140.1
YEAR	1.229	.441	.237	1.605	172.7	137.1
% change from '90	10.2	11.4	6.9	9.7	7.7	7.2

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

0.00%	Dealer Inventory
0.00%	Shipments
- 1.01%	Domestic Car Sales
- 1.16%	Total Light Truck Sales
- 1.44%	Total Car Sales
- 3.33%	Imported Car Sales

AS EXPECTED, SALES OF DETROIT CAR PRODUCERS CONTINUE TO SLUMP. IN EARLY DECEMBER, THE SEASONALLY ADJUSTED ANNUAL RATE FOR CAR SALES WAS 5.5 MIL. COMPARED TO 6.2 MIL. FOR LAST NOVEMBER.

A year ago, the second best year, early December sales were at the rate of 7.4 mil. making the industry's contrrast with the current sales all the more stark. At the end of November the total car inventories stood at an 88 day supply, the highest in more than a decade (a normal supply for this time of year is 70 days worth.)

Until now, the Big Three have tried to trim supplies by idling some plants. It is expected such trend will continue throughout the first quarter of 1990. However, it is also expected that the bloated inventories will lead to a new round of incentives beginning in January.

Forecast data for 1990 point to a general improvement of the auto industry to start in the second quarter and to continue by modest gains throughout the rest of the year.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1988*	10.6	7.5	3.1	1.6	7.6	4.3
1989:1*	9.9	6.9	2.9	1.8	7.6	4.2 R
2*	10.3	7.3	3.0	1.8	7.4	4.1 R
3*	10.7	7.8	2.9	1.4	7.7	4.6
4	10.1	7.3	2.8	1.8	7.3	4.1
YEAR	10.2	7.3	2.9	1.8	7.5	4.2
% change from '88	-3.3	-2.3	-6.5	12.5	-1.3	-1.2
1990:1	10.0	7.2	2.8	1.7	7.5	4.1
2	10.4	7.8	2.4	1.7	7.8	4.2
3	10.7	7.7	3.0	1.8	7.8	4.8
4	10.9	7.9	3.0	1.8	7.5	4.7
YEAR	10.4	7.6	2.8	1.8	7.7	4.5
% change from '89	2.0	5.4	-3.4	0.0	2.0	4.7
1991:1	10.7	7.7	3.0	1.8	7.7	4.6
2	10.9	7.8	3.1	1.7	7.7	4.8
3	11.2	8.3	2.9	1.7	7.9	4.7
4	10.8	7.9	2.9	1.8	7.8	4.8
YEAR	10.9	7.9	3.0	1.8	7.8	4.7
% change from '90	4.3	3.9	6.3	0.0	1.6	6.2

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ .04%	Federal Income Tax
- .09%	Federal Surplus Deficit
- .25%	State Income Tax
- 2.56%	State Surplus Deficit
- 7.79%	Corporate Profit Tax Accrued
-19.11%	State Local Corp. Tax Accrued

COMPARED TO THE NOVEMBER FORECAST, DATA FOR THE FEDERAL BUDGET DEFICITS IN 1989-1991 CALENDAR YEARS HAVE BEEN REDUCED ONLY MARGINALLY AND DUE ALMOST EXCLUSIVELY TO THE EXPECTED SHIFTS IN DEFENSE SPENDING.

It is anticipated that for the fiscal years 1991-1992 the defense budget cuts will be minimal of approximately $5-10 bil.

The dreams of some lawmakers and lobbyists for social causes of a windfall from the "peace dividend" that would allow, all of a sudden, an instant pot of gold, is not shared here.

The new forecasted figures of the Federal budget deficit for calendar years are:

Calendar Year	Deficit bil. $
1990	- 112
1991	- 81
1992	- 67
1993	- 53
1994	- 43

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL	----------	---*	*---STATE AND LOCAL	----	*
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	413.0	111.4	-145.8	173.7	26.5	49.7
1989:1*	446.8	117.0	-147.5	181.5	27.4	48.8
2*	465.1	109.7	-145.4	187.5	25.2	47.5
3	460.9 P	108.4 P	-142.6 P	190.7 P	30.1 P	50.2 P
4	470.4	110.1	-137.2	197.2	31.2	51.1
YEAR	460.8	111.3	-143.2	189.2	28.5	49.4
% change from '88	11.6	-.1	-1.8	8.9	7.5	-.6
1990:1	485.0	112.6	-125.2	204.0	34.7	53.1
2	490.6	114.2	-122.0	207.3	36.6	55.7
3	501.2	118.4	-100.1	210.5	39.7	57.1
4	510.2	123.5	-98.7	211.4	40.3	59.2
YEAR	496.8	117.2	-111.5	208.3	37.8	56.3
% change from '89	7.8	5.3	-22.1	10.1	32.8	13.9
1991:1	520.1	130.6	-90.3	213.6	42.3	60.4
2	527.0	135.1	-81.3	218.1	44.1	63.7
3	533.9	139.1	-80.6	224.2	46.9	64.1
4	541.6	143.4	-71.2	230.5	47.7	65.2
YEAR	530.6	137.1	-80.8	221.6	45.2	63.4
% change from '90	6.8	17.0	-27.5	6.4	19.6	12.6

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*Historical data. R = Revised. P = Preliminary.

1.50 BUDGETS

See Table 1.50 - page 21

1989
FORECAST
DATA

Percent Change from November 1989 Forecast

+ .04%	Federal Income Tax
- .09%	Federal Surplus Deficit
- .25%	State Income Tax
- 2.56%	State Surplus Deficit
- 7.79%	Corporate Profit Tax Accrued
-19.11%	State Local Corp. Tax Accrued

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The new forecasted figures of the Federal budget deficit for calendar years are:

Calendar Year	Deficit bil. $
1990	- 112
1991	- 81
1992	- 67
1993	- 53
1994	- 43

TABLE 1.60

INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1988*	4064.5	3477.8	2904.9	168.9	144.7	417.7
1989:1*	4317.8	3689.5	3060.9	173.6	205.7	426.3
2*	4400.3	3747.0	3104.9	161.1	200.7	426.8
3*	4455.9	3806.8	3189.6	158.7 P	195.1	433.1
4	4390.7	3723.1	3568.1	162.9	204.1	434.1
YEAR	4391.2	3741.6	3230.9	164.1	201.4	430.1
% change from '88	8.0	7.6	11.2	-2.9	39.2	3.0
1990:1	4629.2	3940.2	3352.7	166.4	209.0	437.2
2	4733.4	4035.5	3401.1	170.1	207.2	444.3
3	4824.3	4112.6	3502.3	176.5	203.5	450.7
4	5002.1	4280.5	3611.8	180.7	208.7	457.3
YEAR	4797.3	4092.2	3467.0	173.4	207.1	447.4
% change from '89	9.2	9.4	7.3	5.7	2.8	4.0
1991:1	5078.7	4345.0	3700.1	184.4	213.4	459.9
2	5136.8	4391.7	3790.2	190.7	213.9	463.8
3	5240.1	4482.0	3856.0	200.6	216.7	466.7
4	5314.8	4542.7	3928.9	205.6	217.5	471.3
YEAR	5192.6	4440.4	3818.8	195.3	215.4	465.4
% change from '90	8.2	8.5	10.1	12.6	4.0	4.0

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ 2.42%	Comp. of Employees
+ .62%	Personal Disp. Income
+ .51%	Personal Income
+ .10%	Personal Savings
- .24%	Average Weekly Earnings
- 2.57%	Corporate After Tax Profit

FORECAST DATA FOR PERSONAL INCOME AND COMPONENTS IN 1990 AND 1991 DO NOT INDICATE ANY MAJOR DISTURBANCES.

Regular gains, though somewhat smaller than in this year, are predicted for 1990, and a continuous upward trend in the following year. For 1990, the outlook for corporate after tax profits is less satisfactory. Modest increases are predicted to prevail throughout the year, mainly due to a lackluster profit formation in the automobile, non-bank finance, and oil extraction industries, and modest gains in some durable and nondurable manufacturing, especially nonferrous metals, some fabricated metal products, rubber and products, textile, and leather industries. General improvement is expected to take place not earlier than in 1991.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	773.1 R	3009.5	659.9 R	558.1	512.4	3268.3 R
1989:1*	786.7	3071.2	691.2 R	560.1	558.9	3328.8 R
2*	775.7	3080.2	701.7 R	562.4	563.0	3391.3 R
3	778.9 R	3137.4	706.9 P	563.6	565.2	3360.5
4	784.3	3189.6	711.9	564.3	570.1	3396.5
YEAR	781.4	3119.6	711.9	564.3	570.1	3396.5
% change from '88	1.1	3.7	7.9	5.3	11.3	3.9
1990:1	791.5	3245.9	716.7	570.1	587.0	3427.8
2	795.7	3309.8	727.0	575.0	600.2	3482.3
3	802.3	3357.8	742.6	579.7	621.8	3551.5
4	808.9	3421.5	762.5	583.1	630.1	3587.4
YEAR	799.6	3333.8	762.5	583.1	630.1	3587.4
% change from '89	2.3	6.9	7.1	3.3	10.5	5.6
1991:1	814.1	3476.3	773.4	586.9	651.0	3602.6
2	820.7	3561.6	788.7	587.8	670.3	3645.4
3	827.3	3634.2	796.3	589.4	680.5	3700.3
4	836.2	3712.3	816.9	587.9	682.1	3774.2
YEAR	824.6	3596.1	816.9	597.9	682.1	3774.2
% change from '90	3.1	7.9	7.1	2.5	8.3	5.2

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1989
FORECAST
DATA

Percent Change
from
November 1989
Forecast

+ 1.85%	Conv. Mortg. Rate
+ 1.57%	S & P's 500 Avg.
+ .37%	Prime Rate
- .09%	20 Year Govt. Bond Yield
- .55%	Treas. Bills 2 mo. yield
- 1.40%	Aaa Corp. Bonds

FORECAST OF GRADUAL DECLINES OF INTEREST RATES THROUGHOUT THE NEXT YEAR IS MAINTAINED.

Key factors that support this 1990 prediction are:

* Federal deficits will continue declining which will relieve pressures on financial markets and create a favorable climate for reductions in interest rates.

* Declining Federal budget needs will lower the demand for external financing--U.S. interest rates will not be needed to be kept as high to attract foreign capital to finance deficits.

* Lowering of interest rates will sustain the exports momentum by preventing the appreciation of the dollar.

* Forecast of prices in 1990 point to moderate, well within tolerable limiits trends without a necessity to keep interest rates high to check the inflation.

* Interest rates reduction will significantly help those segments which are currently in trouble, namely automobiles and housing.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1988*	6.68	9.39	8.81	9.71	8.96	265.72
1989:1*	8.53	10.98	9.43	9.67	9.04	290.72
2*	8.44	10.86	9.75	9.49	8.71	313.30
3	7.89 P	10.66	9.93 P	9.11 P	8.14 P	341.52 P
4	7.80	10.50	9.47	9.08	7.76	344.87
YEAR	8.16	10.75	9.64	9.34	8.41	322.60
% change from '88	22.2	14.5	9.5	-3.8	-6.1	21.4
1990:1	7.61	10.39	9.20	9.10	7.73	349.82
2	7.53	10.21	9.11	9.27	8.01	350.72
3	7.32	10.18	8.82	9.90	7.72	352.54
4	7.20	10.04	8.79	9.85	7.54	349.12
YEAR	7.42	10.21	8.98	9.53	7.75	350.55
% change from '89	-9.2	-5.1	-6.9	2.1	-7.9	8.7
1991:1	7.28	9.98	9.16	9.74	7.70	350.51
2	7.36	9.94	9.27	9.98	7.84	358.67
3	7.46	9.96	9.35	10.01	7.78	355.52
4	7.50	10.04	9.62	10.06	7.65	363.24
YEAR	7.40	9.98	9.35	9.95	7.74	356.99
% change from '90	-.2	-2.2	4.1	4.4	-.1	1.8

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the nonresidential fixed investment has been selected for comparison. Forecast data are in the Journal of Business Forecasting Methods & Systems, Vol. 6, Number 3, Winter 1987-88 issue, pp. 37-42. KEDI figure has been calculated as figure in const. $ * price deflator. Actual figure is in the Survey of Current Business (U.S. Dept. of Commerce, monthly), Vol. 69, No. 8, Table 1.1.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Nonresidential Fixed Investment, 1988:4
(bil. $, seasonally adjusted)
Actual figure: 495.8

Forecaster	Date of Forecast	Forecast	Accuracy %
Core Financial	12/87	494.0	- .4
Fidelity Bank, Philadelphia	12/87	499.2	+ .7
First Interstate Bancorp.	12/87	506.4	+ 2.1
National City Bank, Ohio	12/87	478.0	- 3.6
Metropolitan Life Ins. Co.	12/87	464.0	- 6.4
KEDI, Inc., Kent	12/87	501.6	+ .6
LaSalle National Bank, Chicago	12/87	481.1	- 1.0
Irving Trust, New York	12/87	502.0	+ 1.3
Core Financial, Philadelphia	12/87	504.9	+ 1.3
Harris Trust & Savings Bank	12/87	531.3	+ 6.5
Wells Fargo Bank	12/87	487.7	- 1.6
Morgan Guaranty	12/87	486.6	- 2.4
Shearson Lehman	12/87	479.3	- 3.1
Shawmut of Boston	12/87	491.0	- 1.5
Valley National Bank, Arizona	12/87	473.0	- 5.1
Paine Webber	12/87	480.1	- 3.7

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data_series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
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**KENT ECONOMIC
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KEDI ECONOMIC SURVEY

January 1990

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SOURCES:

U.S. Dept. of Commerce approximates of the first estimate of 1989:4, National Income and Product data, January 20, 1990.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, January 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recently released data on the economy are, again, a mixed bag of good and bad news.

Prices

In December, the Producer Price Index for finished goods jumped .7% fueled mainly by energy price increases.

Employment & Labor

Unemployment remained at 5.3% in December. In 1989 the economy generated 2.5 million new jobs.

Housing

December housing starts fell 8% probably caused by severe weather conditions while the year closed the lowest since 1982.

Automobiles

Auto production for 1990:1 will be the lowest in seven years while supply still outstrips demand.

Budgets

Relatively little change in Federal and State and Local Receipts and expenditures in 1990 and 1991.

Income

In 1990 the growth of Personal Disposable Income is expected to continue in its upward trend.

Money & Credit

Forecast data series for money supply and credit do not indicate any significant upswings or declines.

Interest Rates, Yields & Securities Prices

Though an immediate easing of credit conditions by the FED appears unlikely, look for gradual declines in interest rates.

0.02 ASSUMPTIONS

	Last Update
1. In 1989, the weighted price of oil will increase slightly as compared to 1988. It will continue increasing in the 1990-1991 period.	July 1989
2. Tightening of monetary and credit policies in the first half of 1989, is expected to be followed by some relaxation in the second half of 1989 and throughout 1990.	September 1989
3. In 1990 and 1991 good crops in most of the main producing countries are anticipated.	December 1989
4. Foreign trade with China, and East Europe will expand in 1990 and following years	December 1989
5. Average rates of growth in 1985-1990 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.1% Great Britain 2.1%; France 2.0%; Japan 3.1%; Canada 2.6%	September 1987
6. No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

* Table 0.00 on page 3 shows forecast data of selected indicators of the January 1990 KEDI forecast.	
* In 1989 solid growth is expected. It will slow down in 1990.	June 1989
* The upward trend will continue throughout 1990-1992.	January 1987
* Forecast data for 1989-1992 do not point to to recession or major downturn.	January 1987
* In 1990 interest rates will be declining slightly.	June 1989
* Federal budget deficits will keep declining in in 1989 and the following years.	January 1987
* The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1988	1992	1993	1994
Gross national	bil. 82$	4024.4	4490.4	4611.7	4731.6
product, p. 5	% change	3.9	3.0	2.7	2.6
Index of indust.	1977=100	137.2	153.1	158.1	163.5
prod., p. 5	% change	5.7	2.5	3.3	3.4
Capacity	%	83.6	83.6	82.3	81.9
utiliz., p. 5	% change	1.1	.2	-1.6	-.5
Unemployment	%	5.5	5.3	5.5	5.4
rate, p. 5	% change	-11.3	.2	-1.2	-1.1
Private housing	mil.units	1.5	1.7	1.7	1.8
starts, p. 5	% change	-8.2	4.1	-1.5	3.8
Car sales,	mil.units	10.6	11.2	11.6	12.0
p. 5	% change	3.2	3.1	2.8	4.0
Implicit GNP	1982=100	121.3	142.8	147.9	153.4
price def.,p.11	% change	3.4	3.5	3.6	3.7
Consumer Price	1967=100	118.3	140.0	144.8	150.0
Index, p. 11	% change	4.1	3.6	3.4	3.6
Prod.Price Index	1967=100	108.2	129.6	135.5	140.6
(fin.goods),p.11	% change	2.7	4.3	4.5	3.8
Federal Deficit	bil. $	-133.5	-66.4	-52.9	-42.9
p. 21	% change	-15.4	-17.5	-20.4	-18.9
Personal Income	bil. $	4064.5	5587.0	5972.5	6414.4
p. 23	% change	7.5	7.6	6.9	7.4
Prime Rate	%	9.4	9.8	10.5	11.3
p. 27	% change	14.4	-2.0	7.5	8.0
Mortgage Rate	%	9.1	9.9	9.6	9.8
p. 27	% change	1.2	6.0	-2.7	1.8
Currency+demand	bil. $	776.7	880.8	935.4	992.4
deposits , p. 25	% change	4.4	5.5	6.2	6.1
Commercial+ind.	bil. $	556.0	571.6	588.1	600.5
loans, p. 25	% change	5.3	2.8	2.9	2.1
Raw steel	mil.sh.tons	92.6	94.1	95.1	94.9
production	% change	3.4	-.9	1.1	-.2
Electric power	mil.kw-hr	2762	3032.4	3144.6	3270.4
production	% change	4.9	3.4	3.7	4.0
Bituminous coal	mil.sh.tons	936	986	998.8	1013.8
production	% change	1.8	1.1	1.3	1.5
Crude oil	avg. daily bbl.	3013	3142	3176.9	3218.2
output	% change	-.2	2.0	1.1	1.3
Retail sales	bil. $	1613.4	2166.0	2315.4	2484.5
p. 7	% change	6.8	7.2	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENTLY RELEASED DATA ON THE ECONOMY ARE, AGAIN, A MIXED BAG OF GOOD AND BAD NEWS.

The economy will continue growing though at a slower pace:

* in December 1989, industrial production rose by .4% following the .3% gain in November; and the capacity utilization rose to 83.3% from 83.1% in November
* in November, inventories rose .5% while total sales jumped .7%
* in November, average weekly claims for state unemployment fell to 343,000 from 357,000 in October
* in November, unfilled orders in manufacturing rose to $504.49 bil., s.a., from a revised $497.87 bil. in October
* spending for construction rose to s.a. $421.7 bil. from the October $415.6 bil., and factory orders jumped 2.4% after falling .1% in October and dropping 1.0% in September
* most of declines in manufacturing in recent months was a single industry only, electrical machinery
* in December, jobless rate remained unchanged from November, though the creation of new jobs has slowed down somewhat
* in December housing starts and auto sales fell compared to the November figure.

Last year ended with more positive data than negative. Data on employment, orders, outputs of the majority of manufacturing industries, mines, and construction point to a continuous albeit slow growth for months ahead.

1990 FORECAST DATA

Percent Change from December 1989 Forecast

+	.63%	Capacity Util.
+	.25%	Autos
+	.09%	Index Indus. Prod.
+	.09%	Private Housing Starts
+	.02%	GNP
-	.47%	Unemployment

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1977=100	Unemployment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1988*	4024.4	137.2	5.50	83.6	1.488	10.6
1989:1*	4106.8	141.0	5.17	84.3	1.518	9.9
2*	4132.5	141.7	5.27	84.4	1.383	10.3
3*	4162.9	142.2	5.23	84.0	1.372	10.7
4	4166.1 P	142.4 P	5.31	83.8	1.332 P	10.0 P
YEAR	4142.1	141.8	5.25	84.1	1.4	10.2
% change from '88	2.9	3.4	-4.6	.6	-5.8	-3.5
1990:1	4180.4	142.6	5.41	83.1	1.311	9.8
2	4223.1	143.3	5.35	83.3	1.500	10.2
3	4253.0	145.6	5.34	83.4	1.577	10.5
4	4290.5	146.8	5.30	83.4	1.583	10.9
YEAR	4236.8	144.6	5.35	83.3	1.493	10.3
% change from '89	2.3	1.9	2.0	-1.0	6.5	1.2
1991:1	4324.2	147.6	5.28	83.2	1.521	10.7
2	4348.8	148.3	5.22	83.5	1.675	10.9
3	4369.9	149.2	5.20	83.6	1.728	11.2
4	4395.6	152.3	5.26	83.5	1.682	10.8
YEAR	4359.6	149.3	5.24	83.5	1.651	10.9
% change from '90	2.9	3.3	-2.1	.2	10.6	5.3

*Historical data.

R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+	.23%	Pers. Con. Expend. Services
+	.07%	Pers. Con. Expend. Nondurable
-	.02%	Retail Sales Nondurable
-	.11%	Pers. Con. Expend. Durable
-	.14%	Retail Sales Total
-	.38%	Retail Sales Durable

RETAIL SALES ROSE IN DECEMBER TO A SEASONALLY ADJUSTED $144.4 BIL. FROM A REVISED $144.18 BIL. IN NOVEMBER.

For the year 1989, retail sales increased by 5%, faster than the inflation rate. KEDI forecast for this year shows the 5.2% increase over 1989, mainly in the second half of the year.

Taking into account the deep drop in sales of cars in the last quarter of 1989, the rest of retail sales increased by 7.8% over 1989:3, a fairly strong performance documenting that consumers have not been abstaining from the markets.

KEDI forecast calls for a 4.8% increase in retail sales in the first half of this year, and 6.1% rise in the second half, the acceleration due mainly to the expected resuscitation of the demand for cars, trucks, building materials and other consumer durables at that time.

The forecast does not contain any data that would signal a "consumer pause" or downward trends in this year.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1988*	455.2	1052.3	1727.6	1629.2	628.5	1000.6
1989:1*	467.4	1078.4	1778.2	1676.0	639.2	1036.8
2*	471.0	1121.5	1851.6	1705.6	648.0	1057.6
3*	486.1	1131.4	1890.6	1742.0	672.4	1069.6
4	479.7 P	1149.5 P	1908.4 P	1761.1 P	679.2 P	1080.9 P
YEAR	478.6	1120.2	1854.7	1721.2	659.7	1061.2
% change from '88	5.1	6.5	7.4	5.6	5.0	6.1
1990:1	492.3	1178.3	1924.6	1804.2	685.0	1119.2
2	506.4	1194.2	1976.8	1840.3	701.1	1139.2
3	510.5	1205.6	2043.9	1867.2	705.2	1162.0
4	526.7	1219.3	2176.0	1930.5	720.7	1209.8
YEAR	509.0	1199.3	2030.3	1860.5	703.0	1157.5
% change from '89	6.4	7.1	9.5	8.1	6.6	9.1
1991:1	540.6	1252.1	2185.3	1970.1	736.5	1233.6
2	557.3	1271.4	2193.3	1987.3	750.2	1237.1
3	578.0	1297.2	2221.2	2034.1	775.3	1258.8
4	590.1	1319.5	2240.3	2090.5	800.1	1290.4
YEAR	566.5	1285.0	2210.0	2020.5	765.5	1255.0
% change from '90	11.3	7.1	8.9	8.6	8.9	8.4

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+ .02%	GNP
+ .01%	State Local Purch.
0.00%	Federal Govt. Purch.
0.00%	Pers. Cons. Expend.
- .08%	Gross Private Dom. Inv.
- 2.23%	Net Exports

Consensus of 40 forecasters polled by the Wall Street Journal on January 2nd of this year shows, on average, that the economy, in terms of constant 82 GNP will grow by 1.3% in the first half of this year, and will accelerate to 2.0% in the second half.

KEDI data are 1.7% and 2.7%, respectively.

ATTENTION: Data for GNP and components for 1989:4 have been calculated from latest available information and may differ from the U.S. Department of Commerce first estimate of GNP and components for that period. The U. S. Department of Commerce estimates, due January 20, will be released January 26, or later, i.e., after the closing date for the January issue of this Survey.

TABLE 1.13
REAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross National Product					---------------*
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1988*	4024.4	2598.4	715.8	-74.9	328.9	456.2
1989:1*	4106.8	2641.0	721.1	-55.0	335.5	464.2
2*	4132.5	2653.7	719.8	-51.2	343.6	466.7
3*	4162.9	2690.1	724.6	-57.1	336.1	469.2
4	4166.1 P	2687.3 P	736.3 P	-65.1 P	336.0 P	471.6 P
YEAR	4142.1	2665.5	725.5	-57.1	340.3	467.9
% change from '88	2.9	2.6	1.3	-23.8	3.5	2.6
1990:1	4180.4	2680.1	740.4	-59.1	346.3	472.7
2	4223.1	2712.0	741.1	-57.4	351.1	476.3
3	4253.0	2736.1	743.7	-56.0	352.1	477.1
4	4290.5	2757.2	744.0	-50.3	357.0	482.6
YEAR	4236.8	2721.3	742.3	-55.7	351.6	477.2
% change from '89	2.3	2.1	2.3	-2.5	3.3	2.0
1991:1	4324.2	2773.0	749.5	-46.2	360.1	487.8
2	4348.8	2789.5	752.0	-45.1	362.3	490.1
3	4369.9	2795.6	753.1	-42.0	368.2	495.0
4	4395.6	2812.3	755.8	-41.5	370.2	498.8
YEAR	4359.6	2792.6	752.6	-43.7	365.2	492.9
% change from '90	2.9	2.6	1.4	-21.5	3.9	3.3

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

IN DECEMBER, PRODUCER PRICE INDEX FOR FINISHED GOODS JUMPED .7% MAINLY DUE TO THE 1.4% INCREASE IN ENERGY PRICES CAUSED BY THE COLD WAVE AT THE END OF THE MONTH.

Prices of intermediate goods fell .1% for the second month in a row, and prices of crude goods jumped 1.8% after rising .4% in November.

Consumer Price Index also increased: .4% last month, the same as in November. The December hike was due mainly to the jump in fuel oil and natural gas, while food prices and medical care rose more slowly.

KEDI forecast data indicate that the inflation rate this year will be a bit below the rate of 1989: 4.4% measured by the CPI compared to 4.6% the last year, and 4.5% gain in PPI compared to 4.9% in 1989.

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+	.14%	Pers. Cons. Expend.
+	.04%	GNP
+	.02%	State Local Purch.
+	.02%	Consumer Price Index
	0.00%	Producer Price Index
-	.02%	Federal Govt. Purch.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1988*	118.3	108.0	121.3	124.5	115.9	128.8
1989:1*	121.7	111.7	125.1	124.5	118.9	132.9
2*	123.7	113.8	125.9	126.8	118.2	134.4
3*	124.7	113.6	126.9	130.4	119.8	135.6
4	125.2	114.1	128.3 P	132.2 P	121.0 P	136.4 P
YEAR	123.8	113.3	126.6	128.5	119.5	134.8
% change from '88	4.7	4.9	4.3	3.2	3.1	4.7
1990:1	126.3	115.3	129.4	134.1	122.1	137.2
2	128.9	117.6	130.5	135.6	123.0	138.1
3	130.1	119.4	132.0	137.4	124.1	140.5
4	131.7	120.9	135.4	142.2	124.8	142.1
YEAR	129.2	118.3	131.8	137.4	123.5	139.5
% change from '89	4.4	4.4	4.2	6.9	3.4	3.4
1991:1	132.9	122.0	136.2	143.5	126.0	143.0
2	134.2	124.1	137.0	144.2	127.1	144.2
3	135.8	125.1	138.8	146.5	128.4	146.2
4	137.7	126.0	139.9	147.6	129.6	148.7
YEAR	135.2	124.3	138.0	145.4	127.8	145.5
% change from '90	4.6	5.1	4.7	5.9	3.5	4.3

*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+	.13%	Pers. Cons. Expend.
+	.09%	GNP
+	.01%	Gross Private Dom. Inv.
+	.01%	Federal Govt. Purch.
	0.00%	State Local Purch.
-	.05%	Net Exports

THE NOVEMBER TRADE DEFICIT WORSENED TO $10.5 BIL.--THE LARGEST FIGURE IN PAST MONTHS.

The KEDI forecast of gradual declines in the U.S. trade gap remains unaffected since the increase in the deficit has been caused almost exclusively by the drop in exports due to the Boeing strike.

Forecast data of components of nominal GNP this year and in 1991 point to a slow growth in 1990 and acceleration in 1991.

ATTENTION: Data for GNP and components for 1989:4 have been calculated from latest available information and may differ from the U. S. Department of Commerce first estimate of GNP and components for that period. The U.S. Department of Commerce estimates, due January 20, will be released January 26 or later, i.e., after the closing date for the January issue of this Survey.

TABLE 1.22
NOMINAL GNP
Quarterly data are seasonally adjusted at annual rates.

	-----------Gross National Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	4880.6	3235.1	750.3	-73.7	381.3	587.6
1989:1*	5113.1	3381.4	769.6	-54.0	399.0	617.0
2*	5201.7	3444.1	775.0	-50.6	406.0	627.2
3*	5281.0	3508.1	779.1	-45.1 P	402.7 P	636.2 P
4	5343.2 P	3537.6 P	788.5 P	-56.2 P	410.0 P	643.3 P
YEAR	5234.8	3467.8	780.5	-51.5	406.9	630.9
% change from '88	7.3	7.2	4.0	-30.2	6.7	7.4
1990:1	5409.4	3595.2	800.1	-57.2	422.8	648.5
2	5511.1	3677.4	798.2	-54.1	431.9	657.8
3	5614.0	3760.0	798.7	-52.0	437.0	670.3
4	5809.3	3922.0	802.1	-46.1	445.5	685.8
YEAR	5586.0	3738.6	799.8	-52.4	434.3	665.6
% change from '89	6.7	7.8	2.5	1.7	6.7	5.5
1991:1	5889.6	3978.0	805.3	-45.0	453.7	697.6
2	5957.9	4022.0	808.7	-40.1	460.5	706.7
3	6065.4	4096.4	812.6	-40.0	472.8	723.7
4	6149.4	4149.9	814.2	-36.2	479.8	741.7
YEAR	6015.6	4061.6	810.2	-40.3	466.7	717.4
% change from '90	7.7	8.6	1.3	-23.0	7.5	7.8

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+	.01%	Population
	0.00%	Agriculture
-	.01%	Non Agriculture
-	.01%	Total Employed
-	.06%	Civilian Labor Force
-	.47%	Unemployment

THE DECEMBER UNEMPLOYMENT RATE REMAINED AT 5.3% OF CIVILIAN LABOR FORCE WITH 142,000 NEWLY CREATED JOBS. IN 1989 THE ECONOMY GENERATED 2.5 MIL. NEW JOBS.

Though the pace of job creation is to continue slowing down in most of 1990, the forecast does not point to any leveling off or a decline. Throughout 1990 continuous and strong gains in employment are expected in health, education and businesses services sectors, moderate increases in manufacturing notable in nondurables industries of chemicals, printing and publishing and plastics with a fairly good number of new jobs in construction.

Data for mining and utilities show approximate same levels this year as they were in 1989.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1988*	249.8	121.7	115.2	3.2	113.6	5.50
1989:1*	253.9	123.3	116.9	3.2	113.6	5.17
2*	254.3	123.8	117.3	3.2	114.1	5.27
3*	255.1	124.0	117.7	3.2	114.5	5.23
4	256.0	125.4 P	118.7 P	3.2 P	112.6 P	5.31 P
YEAR	254.8	124.1	117.5	3.2	114.3	5.25
% change from '88	2.0	2.0	1.9	0.0	.6	-4.64
1990:1	257.4	126.0	119.2	3.2	116.0	5.41
2	258.9	126.7	119.9	3.2	116.7	5.35
3	260.2	128.0	121.2	3.2	118.0	5.34
4	261.8	128.6	121.8	3.2	118.6	5.30
YEAR	259.6	127.3	120.5	3.2	117.3	5.35
% change from '89	1.9	2.6	2.5	0.0	2.7	2.00
1991:1	262.4	129.2	122.4	3.2	119.2	5.28
2	263.5	130.1	123.3	3.2	120.1	5.22
3	265.1	131.1	124.3	3.2	121.1	5.20
4	266.4	132.2	125.2	3.2	122.0	5.26
YEAR	264.4	130.6	123.8	3.2	120.6	5.24
% change from '90	1.8	3.0	2.7	0.0	2.8	-2.06

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

LAST MONTH HOUSING STARTS FELL 8% PROBABLY REFLECTING UNUSUALLY SEVERE WEATHER. FOR ALL 1989 STARTS FELL TO 1.37 MIL. UNITS, THE LOWEST SINCE 1.06 MIL UNITS IN 1982.

KEDI forecast calls for 1.50 mil. units this year based mainly on the expected moderate declines in mortgage rates--slightly more optimistic than the 1.45 mil. units forecasted by the Mortgage Bankers Association and the 1.38 mil. units of the National Association of Home Builders.

This year starts of single-family units are expected to regain the strength by increasing 6.2% over the last year while the starts of apartment houses will continue in their sluggish pace and recuperate in 1991.

1990 FORECAST DATA

Percent Change
from
December 1989
Forecast

+ .31%	Permits Issued
+ .04%	1-Family unit price existing
- .12%	1-Family unit price new
- .24%	Mobile Home Shipments
- 1.25%	Multiple Family Housing Starts
- 3.71%	Single Family Housing Starts

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home shipments	Permits authorized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1988*	1.081	.407	.218	1.456	139.0	112.5
1989:1*	1.070	.448	.217	1.373	144.0	115.6
2*	.994	.389	.202	1.319	146.7	116.5
3*	.996	.376	.198	1.301	150.4	121.7
4	.961 P	.371 P	.201 P	1.263 P	154.2 P	123.2
YEAR	1.005	.396	.205	1.314	148.8	119.2
% change from '88	-7.0	-2.7	-6.2	-9.8	7.1	6.0
1990:1	1.010	.301	.203	1.330	156.1	124.0
2	1.110	.390	.218	1.487	157.6	128.1
3	1.137	.440	.236	1.492	163.0	129.2
4	1.158	.425	.220	1.506	164.5	130.5
YEAR	1.104	.389	.219	1.454	160.3	127.9
% change from '89	9.8	-1.8	7.2	10.6	7.7	7.3
1991:1	1.111	.410	.218	1.504	168.4	134.0
2	1.225	.450	.238	1.601	170.1	135.6
3	1.267	.461	.242	1.673	175.0	138.7
4	1.251	.431	.249	1.601	177.2	140.1
YEAR	1.214	.438	.237	1.595	172.7	137.1
% change from '90	9.9	12.6	8.0	9.7	7.7	7.2

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+ .86%	Imported Car Sales
+ .60%	Total Light Truck Sales
+ .25%	Total Car Sales
0.00%	Dealer Inventory
0.00%	Shipments
- .34%	Domestic Car Sales

THOUGH THE PRODUCTION CUTS AT MAJOR U.S. AUTO MAKERS ARE LIKELY TO PUSH 1990:1 OUTPUT TO THE LOWEST LEVEL IN 7 YEARS, THERE WILL STILL BE TOO MANY CARS CHASING TOO FEW CUSTOMERS.

KEDI maintains its prediction that the situation will not improve until the second half of this year. In the first quarter, factory shipments are predicted at 6.4 mil. cars, s.a., about 20% less than in 1989:1, and 6.5 mil. in 1990:2, again about 15% less than in 1989:2. Light-duty truck output is expected to be relatively stronger than car production reflecting customers' shift from cars to trucks because of search for more convenience, room and towing capability.

Recently released data on expected car output in 1990:1 show that the largest drops in production in this quarter is expected in U.S. manufacturers while most of the Japanese manufacturers will keep increasing their output:

	% change in units produced 1990:1 over 1989:1
GM	- 26.1
Ford	- 23.1
Chrysler	- 43.2
Honda	+ 10.6
Mazda	- 22.0
Nissan	+ 1.6
Toyota	+ 119.6
Diam Star	+ 295.2
Total	- 20.8

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1988*	10.6	7.5	3.1	1.6	7.6	4.3
1989:1*	9.9	6.9	2.9	1.8	7.6	4.2
2*	10.3	7.3	3.0	1.8	7.4	4.1
3*	10.7	7.8	2.9	1.4	7.7	4.6
4	10.0 P	7.1 P	2.9 P	1.8 P	7.3 P	4.0 P
YEAR	10.2	7.3	2.9	1.8 P	7.5	4.2
% change from '88	-3.5	-3.0	-5.6	12.5	-1.3	-1.7
1990:1	9.8	6.9	2.9	1.8	7.3	3.9
2	10.2	7.5	2.7	1.7	7.7	4.0
3	10.5	7.4	3.1	1.8	7.8	4.6
4	10.9	7.8	3.1	1.8	7.5	4.7
YEAR	10.3	7.4	3.0	1.8	7.6	4.3
% change from '89	1.2	.4	.9	0.0	1.0	1.8
1991:1	10.7	7.7	3.0	1.8	7.7	4.6
2	10.9	7.8	3.1	1.7	7.7	4.8
3	11.2	8.3	2.9	1.7	7.9	4.7
4	10.8	7.9	2.9	1.8	7.8	4.8
YEAR	10.9	7.9	3.0	1.8	7.8	4.7
% change from '90	5.3	4.5	.8	0.0	2.6	9.9

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+	.14%	Federal Surplus Deficit
-	.07%	Federal Income Tax
-	.33%	State Income Tax
-	.34%	Corporate Profit Tax Accrued
-	.35%	State Surplus Deficit
-	.84%	State Local Corp. Tax Accrued

KEDI FORECAST OF FEDERAL AND STATE AND LOCAL RECEIPTS AND EXPENDITURES IN 1990 AND 1991 REMAINS ESSENTIALLY UNCHANGED COMPARED TO DATA IN THE DECEMBER KES RELEASE.

KEDI anticipates only very small cuts in defense spending this year and next and does not share the enthusiasm of those who expect a sudden gold pot of "peace dividents" stemming from billions saved on defense spending which will cure a lot of domestic problems.

KEDI forecast anticipates approximately $5 bil. down from the total defense spending in FY 1990 and around $12 bil. from the defense budget for FY 1991.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	FEDERAL Income taxes	FEDERAL Corp. profits tax accru.	FEDERAL Surplus /deficit	STATE AND LOCAL Income taxes	STATE AND LOCAL Corp. profits tax accru.	STATE AND LOCAL Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	413.0	111.4	-145.8	173.7	26.5	49.7
1989:1*	446.8	117.0	-147.5	181.5	27.4	48.8
2*	465.1	109.7	-145.4	187.5	25.2	47.5
3*	460.9	108.0	-142.2	190.1	29.2	50.0
4	469.2 P	109.0 P	-138.5 P	195.2 P	30.1 P	50.6 P
YEAR	460.5	110.9	-143.4	188.6	28.0	49.2
% change from '88	11.5	-.4	-1.6	8.6	5.6	-1.0
1990:1	484.6	111.4	-125.8	202.1	32.1	52.1
2	490.1	113.8	-123.1	205.2	32.8	53.5
3	501.0	117.4	-101.2	208.3	34.7	55.7
4	509.2	121.5	-98.7	209.4	35.5	58.2
YEAR	496.2	116.0	-112.2	206.2	33.8	54.9
% change from '89	7.8	4.6	-21.8	9.4	20.7	11.5
1991:1	520.0	129.2	-90.0	213.0	37.1	59.4
2	526.3	134.3	-80.8	218.1	40.1	61.7
3	531.7	137.8	-80.1	223.2	42.7	62.1
4	540.6	143.4	-71.2	227.5	44.3	64.0
YEAR	529.6	136.2	-80.5	220.4	41.0	61.8
% change from '90	6.7	17.4	-28.2	6.9	21.5	12.6

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
December 1989
Forecast

+ .12%	Average Weekly Earnings
+ .12%	Personal Disp. Income
+ .08%	Personal Income
- .11%	Personal Savings
- .62%	Corporate After Tax Profit
- 2.40%	Comp. of Employees

IN 1990 THE GROWTH OF PERSONAL DISPOSABLE INCOME IS EXPECTED TO CONTINUE IN ITS UPWARD TREND.

Adjusted by inflation and in per capita terms it will continue growing albeit at a slower pace when compared to 1989.

Forecast data of corporate after tax profits show that companies' profits will recuperate a bit from their sluggish performance in 1989; but more significant gains are expected not earlier than in 1991.

Forecast data of personal income and components and on profits in majority of industries do not point to a serious slowdown or recessionary development in neither of the forecasts for both years.

The automotive, electrical machinery, stone quarrying, oil extraction industries are expected to start getting out of trouble in the second half of this year.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	Pers. income bil. $	Pers. disp. income bil. $	Comp. of empl. bil. $	Corp. after tax profits bil. $	Pers. saving bil. $	Avg. week earn. $
Year & Qtr.						
1988*	4064.5	3477.8	2904.9	168.9	144.7	417.7
1989:1*	4317.8	3689.5	3060.9	173.6	205.7	426.3
2*	4400.3	3747.0	3104.9	161.1	200.7	426.8
3*	4455.9	3806.8	3189.6	158.2	195.1	432.7
4	4505.2 P	3840.8 P	3258.2 P	159.4 P	213.2 P	436.6
YEAR	4419.0	3771.0	3153.4	163.1	203.7	430.6
% change from '88	8.7	8.4	8.6	-3.4	44.2	3.1
1990:1	4640.9	3954.2	3302.7	162.4	207.4	438.1
2	4731.7	4036.4	3381.1	164.7	205.6	443.5
3	4827.9	4118.6	3486.4	168.2	203.0	450.1
4	5007.6	4289.0	354.7	174.3	208.1	456.8
YEAR	4802.0	4099.5	2631.2	167.4	206.0	447.1
% change from '89	9.3	9.4	-16.6	2.7	1.3	3.8
1991:1	5084.8	4351.8	3654.1	180.4	211.4	457.2
2	5144.5	4400.1	3700.2	187.2	213.6	461.4
3	5235.2	4480.3	3766.1	191.3	216.7	464.3
4	5304.8	4536.7	3828.9	197.4	217.5	470.3
YEAR	5192.3	4442.2	3737.3	189.1	214.8	463.3
% change from '90	8.1	8.4	42.0	12.9	4.3	3.6

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990 FORECAST DATA

Percent Change from December 1989 Forecast

+	.19%	Large Denom. Time Deposits
+	.10%	Time Deposits
+	.07%	Comm. & Indust. Loans at Banks
-	.04%	Consumer & Demand Deposits
-	.14%	Consumer Install. Credit
-	.18%	Mortg. at Savings Inst'

KEDI'S FORECAST OF MONETARY AND CREDIT AGGREGATES IN 1990 SHOWS SOME ACCELERATION IN THE GROWTH OF MONEY SUPPLY M1 AND M2, AND SLOWING DOWN IN THE GROWTH OF CREDIT AGGREGATES, NOTABLY CONSUMER CREDIT, COMMERCIAL AND INDUSTRIAL LOANS, FEDERAL GOVERNMENT SECURITIES, AND CORPORATE BONDS.

Forecast data series for money supply and credit do not indicate any significant upswings or declines throughout the forecast period. They express the following trends: M1 and M2 are expected to accelerate this year and to slow down slightly in 1991; markets for small denominated CD's are expected to calm when compared to their fast growth of last years.

Markets for automobile and other kinds of consumer credit are expected to slow down considerable this year and to regain the strength afterward. The Treasury securities markets are expected to moderate in both years due to expected less-intensive supply of bonds. Markets for corporate and municipal bonds are forecasted to continue in their expansion at approximately the same rates of past years.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	773.1	3009.5	659.9	558.1	512.4	3268.3
1989:1*	786.7	3071.2	691.2	560.1	558.9	3328.8
2*	775.7	3080.2	701.7	562.4	563.0	3391.3
3*	778.1	3139.8	706.2	563.6	565.2	3357.2
4	783.7	3199.6	710.9	564.7	571.2	3390.1
YEAR	781.1	3122.7	710.9	564.7	571.2	3390.4
% change from '88	1.0	3.8	7.7	5.3	11.5	3.7
1990:1	789.2	3246.2	716.8	570.2	587.1	3420.0
2	798.1	3312.8	721.4	575.4	600.2	3480.3
3	810.2	3377.5	732.5	587.7	618.8	3551.2
4	819.4	3441.5	748.7	580.6	622.0	3570.8
YEAR	804.2	3344.5	748.7	580.6	622.0	3570.8
% change from '89	3.0	7.1	5.3	2.8	8.9	5.3
1991:1	824.1	3486.2	773.6	586.3	641.0	3591.6
2	830.8	3569.6	789.7	587.8	650.2	3615.4
3	838.3	3644.3	796.8	589.9	661.5	3669.2
4	846.2	3732.3	817.1	587.7	670.1	3714.5
YEAR	834.9	3608.1	817.1	597.7	670.1	3714.5
% change from '90	3.8	7.9	9.1	2.9	7.7	4.0

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990
FORECAST
DATA

Percent Change
from
December 1990
Forecast

+ .52%	Conv. Mortg. Rate
+ .11%	Aaa Corp. Bonds
+ .08%	S & P's 500 Avg.
- .07%	Prime Rate
- .18%	20 Year Govt. Bond Yield
- .21%	Treas. Bills 2 mo. yield

THOUGH AN IMMEDIATE EASING OF CREDIT CONDITIONS BY THE FED APPEARS UNLIKELY, KEDI FORECAST OF GRADUAL DECLINES IN INTEREST RATES THROUGHOUT THIS YEAR REMAINS UNCHANGED.

KEDI forecast calls for declines in long-term bond rates starting in 1990:2, while the short-term rates are expected to keep declining only modestly.

It is anticipated that the Federal Reserve policy will remain cautious on declines in interest rates since the expected differentials between the U.S. and foreign interest rates will remain narrow, the U.S. economy will continue growing though at a slow pace and upward pressures on prices will persist. Summing up, there will not be much room for the Federal Reserve to push interest rates down more vigorously.

KEDI forecast data for interest rates are less optimistic when compared to expectations of economists polled by the Wall Street Journal, Jan. 2, 1990, p. A2:

	Average of 40 forecasters		KEDI forecast	
	1st half	2nd half	1st half	2nd half
3 month Treasury bills yield	7.03	7.12	7.51	7.29
30 year Govt. Bond yield	7.62	7.71	7.63	7.42

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1988*	6.68	9.39	8.81	9.71	8.96	265.72
1989:1*	8.53	10.98	9.43	9.67	9.04	290.72
2*	8.44	10.86	9.75	9.49	8.71	313.30
3*	7.84	10.63	9.97	9.14	8.18	341.63
4	7.76	10.50	9.61	9.10	7.65	345.82
YEAR	8.14	10.74	9.69	9.35	8.39	322.87
% change from '88	21.9	14.4	10.0	-3.7	-6.3	21.5
1990:1	7.64	10.21	9.41	9.14	7.71	347.63
2	7.43	10.06	9.17	9.27	7.56	350.09
3	7.32	10.00	8.89	9.92	7.52	352.11
4	7.20	10.04	8.79	9.85	7.44	349.22
YEAR	7.40	10.08	9.06	9.54	7.56	349.76
% change from '89	-9.1	-6.2	-6.4	2.1	-10.0	8.3
1991:1	7.24	9.96	9.06	9.78	7.61	351.54
2	7.35	9.90	9.21	9.98	7.84	359.68
3	7.46	9.92	9.35	10.01	7.72	355.52
4	7.50	10.04	9.62	10.06	7.60	363.24
YEAR	7.39	9.96	9.31	9.96	7.69	357.50
% change from '90	-.1	-1.2	2.7	4.3	1.8	2.2

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the increase in Consumer Price Index in 1989 over 1988 has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Sewction, page D1, and in The Journal of Business Forecasting Methods and Systems 6 (1988) 3, p. 43 (K.E.D.I forecast). Actual figure has been calculated from monthly figures for January - September 1989 in the Survey of Current Business (U.S. Department of Commerce, Washington, D.C., monthly), 63 (1989), blue pages and figures for October - December 1989 released by the U. S. Department of Labor, January 19, 1990.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
% Change in Consumer Price Index in 1989 over 1988.
Actual figure: + 4.6%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	5.4	+ 17.4
Salomon Brothers	12/88	6.0	+ 21.5
Morgan Guaranty	12/88	5.2	+ 15.2
Prudential-Bache	12/88	3.5	- 23.9
Merrill Lynch	12/88	5.0	+ 8.7
Blue Chip Indicators	12/88	5.1	+ 10.8
Chrysler Corporation	12/88	4.9	+ 6.5
UCLA Forecasting Project	12/88	4.6	0
KEDI, Inc.	12/88	4.6	0

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

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1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

February 1990

Prepared by the staff of

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SOURCES:

Approximates of the U.S. Dept. of Commerce second estimates of 1989:4, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, February 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Data indicate that the economy has already passed its weakest point and is heading to a continuous though slow growth.

Prices

In January, producer prices of finished goods shot up 1.8% due to the impact of unusually cold weather.

Employment & Labor

The January unemployment rate remained at 5.3% for the eighth straight month.

Housing

Housing starts in January rose to 1625 tho. units (seasonally adjusted) from a revised 1254 tho. units in December.

Automobiles

Recent data indicate that the automobile industry is getting out of the woods.

Budgets

Long-term simulation shows that a balanced budget without using Social Security surpluses will be hard to achieve.

Income

Outlook on profits this year shows gradual improvements in the first half and picking up a healthy pace in the second half.

Money & Credit

Look for the Fed to keep increasing the money supply, specifically M1 at a faster pace than it did through most of 1989.

Interest Rates, Yields & Securities Prices

Throughout1990 interest rates will continue to decline at a very slow and gradual pace.

0.02 ASSUMPTIONS

	Last Update
1. In 1989, the weighted price of oil will increase slightly as compared to 1988. It will continue increasing in the 1990-1991 period.	July 1989
2. Tightening of monetary and credit policies in the first half of 1989, is expected to be followed by some relaxation in the second half of 1989 and throughout 1990.	September 1989
3. In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4. Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5. Average rates of growth in 1985-1990 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.1% Great Britain 2.1%; France 2.0%; Japan 3.1%; Canada 2.6%	September 1987
6. No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

* Table 0.00 on page 3 shows forecast data of selected indicators of the February 1990 KEDI forecast.	
* The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
* The upward trend will continue throughout 1990-1992.	January 1987
* Forecast data for 1990-1992 do not point to to recession or major downturn.	January 1987
* In 1990 interest rates will be declining slightly.	June 1989
* Federal budget deficits will keep declining in in 1989 and the following years.	January 1987
* The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1988	1992	1993	1994
Gross national	bil. 82$	4024.4	4486.4	4607.6	4727.4
product, p. 5	% change	3.9	3.0	2.7	2.6
Index of indust.	1977=100	137.2	153.3	158.4	163.8
prod., p. 5	% change	5.7	2.5	3.3	3.4
Capacity	%	83.6	83.6	82.3	81.9
utiliz., p. 5	% change	1.1	.2	-1.6	-.5
Unemployment	%	5.5	5.3	5.5	5.4
rate, p. 5	% change	-11.3	.2	-1.2	-1.1
Private housing	mil.units	1.5	1.7	1.7	1.7
starts, p. 5	% change	-8.2	4.1	-1.5	3.8
Car sales,	mil.units	10.6	11.2	11.6	12.0
p. 5	% change	3.2	3.1	2.8	4.0
Implicit GNP	1982=100	121.3	142.8	147.9	153.4
price def.,p.11	% change	3.4	3.5	3.6	3.7
Consumer Price	1967=100	118.3	140.3	145.0	150.3
Index, p. 11	% change	4.1	3.6	3.4	3.6
Prod.Price Index	1967=100	108.2	130.3	136.1	141.3
(fin.goods),p.11	% change	2.7	4.3	4.5	3.8
Federal Deficit	bil. $	-133.5	-69.0	-54.9	-44.6
p. 21	% change	-15.4	-17.5	-20.4	-18.9
Personal Income	bil. $	4064.5	5610.3	5997.4	6441.2
p. 23	% change	7.5	7.6	6.9	7.4
Prime Rate	%	9.4	9.8	10.5	11.3
p. 27	% change	14.4	-2.0	7.5	8.0
Mortgage Rate	%	9.1	9.9	9.6	9.8
p. 27	% change	1.2	6.0	-2.7	1.8
Currency+demand	bil. $	776.7	884.2	939.1	996.4
deposits , p. 25	% change	4.4	5.5	6.2	6.1
Commercial+ind.	bil. $	556.0	571.6	588.1	600.5
loans, p. 25	% change	5.3	2.8	2.9	2.1
Raw steel	mil.sh.tons	92.6	94.1	95.1	94.9
production	% change	3.4	-.9	1.1	-.2
Electric power	mil.kw-hr	2762	3032.4	3144.6	3270.4
production	% change	4.9	3.4	3.7	4.0
Bituminous coal	mil.sh.tons	936	986	998.8	1013.8
production	% change	1.8	1.1	1.3	1.5
Crude oil	avg. daily bbl.	3013	3142	3176.9	3218.2
output	% change	-.2	2.0	1.1	1.3
Retail sales	bil. $	1613.4	2172.6	2322.5	2492.1
p. 7	% change	6.8	7.2	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENT DATA THAT POINT TO THE DEVELOPMENTS FOR MONTHS AHEAD INDICATE THAT THE ECONOMY HAS ALREADY PASSED ITS WEAKEST POINT AND IS HEADING TO A CONTINUOUS THOUGH SLOW GROWTH.

As KEDI has kept predicting for months, there wasn't any kind of "landing"--neither soft nor hard. The signs of growth for months ahead are:

In December, factory orders jumped 1.9% after soaring 2.4% in November. Unfilled orders in December jumped 2.5% and inventories dropped .4%. In January, car sales increased by more than 3%, and continued increasing in early February (latest available data). Index of leading indicators in January by .5%, the strongest showing since April 1989. December exports continued in their upward trend. January retail sales exceeded significantly those of December and January 1989. Unemployment rate January remained unchanged despite layoffs in automobile industry.

Though there are still some weak points, especially in automobiles, the above data show convincingly that neither a recession nor a downturn are in sight, as some overworried economists, professional doomsayers and some journalists have attempted to depict--for how many times in past years?

1990 FORECAST DATA

Percent Change from January 1990 Forecast

+ .07%	Private Housing Starts
+ .03%	Capacity Util.
+ .02%	GNP
- .09%	Index Indust. Prod.
- .10%	Unemployment
- 1.47%	Autos

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GNP	Index of ind. prod.	Unem- ploy ment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$82 bil.	1977=100	%	%	mil.	mil.
Year & Qtr.						
1988*	4024.4	137.2	5.50	83.6	1.488	10.6
1989:1*	4106.8	141.0	5.17	84.3	1.518	9.9
2*	4132.5	141.7	5.27	84.4	1.383	10.3
3*	4162.9	142.2	5.23	84.0	1.372	10.7
4	4169.6 P	141.8 P	5.31	83.8	1.331 P	9.3 P
YEAR	4142.9	141.7	5.25	84.1	1.4	10.1
% change from '88	2.9	3.3	-4.6	.6	-5.8	-5.2
1990:1	4178.5	142.1	5.40	83.0	1.338	9.7
2	4216.2	143.1	5.37	83.3	1.504	9.9
3	4247.0	145.5	5.34	83.4	1.577	10.5
4	4285.3	146.8	5.30	83.4	1.568	10.8
YEAR	4231.8	144.4	5.35	83.3	1.497	10.2
% change from '89	2.1	1.9	2.0	-1.0	6.8	1.7
1991:1	4320.2	148.5	5.28	83.2	1.521	10.7
2	4342.8	148.3	5.22	83.5	1.655	10.9
3	4369.9	149.2	5.20	83.6	1.728	11.2
4	4390.1	152.3	5.26	83.5	1.657	10.8
YEAR	4355.8	149.6	5.24	83.5	1.640	10.9
% change from '90	2.9	3.6	-2.1	.2	9.6	6.6

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990 FORECAST DATA

Percent Change from January 1990 Forecast

+	.66%	Pers. Con. Expend. Services
+	.10%	Retail Sales Nondurable
-	.06%	Retail Sales Total
-	.16%	Retail Sales Durable
-	.20%	Pers. Con Expend. Nondurable
-	.78%	Pers. Con. Expend. Durable

RECENT DATA ON RETAIL SALES IN JANUARY INDICATE THAT CONSUMERS ARE FAR FROM BEING IN A LULL.

Propelled by car sales, retail sales rose to a seasonally adjusted $146.1 bil. from December $144.1, the largest gain since October 1988. Excluding car sales, which jumped 5.4%, retail sales still grew at the healthy rate of .6%. till

The January surge expresses the simple fact that consumers will spend when prices are right. Clearly, heavy incentives offered in January for cars and promotional activities and price cuttings by department stores on general merchandisea were the main factors that caused that month's jump.

Though the KEDI forecast points to some weakness in the February and March retail sales, particularly in apparel and grocery, the outlook for the entire year remains optimistic.

The strongest gains are expected in building materials, specialty stores (which are expected to rebound strongly in the second quarter), and continuous healthy gains in food and coal and petroleum products. Retail sales in the textile, apparel, shoes and leather segments are expected to grow moderately.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1988*	455.2	1052.3	1727.6	1629.2	628.5	1000.6
1989:1*	467.4	1078.4	1778.2	1676.0	639.2	1036.8
2*	471.0	1121.5	1851.6	1705.6	648.0	1057.6
3*	486.1	1131.4	1890.6	1742.0	672.4	1069.6
4	475.0 P	1140.6 P	1947.6 P	1757.1 P	675.1 P	1085.0 P
YEAR	474.9	1118.0	1867.0	1720.2	658.7	1062.2
% change from '88	4.3	6.2	8.1	5.6	4.8	6.2
1990:1	492.0	1179.8	1958.2	1800.1	680.1	1120.0
2	501.7	1194.8	1977.2	1836.4	694.1	1142.3
3	510.9	1207.4	2031.0	1860.5	705.3	1155.2
4	522.7	1219.3	2168.9	1921.4	723.5	1197.9
YEAR	506.8	1200.3	2033.8	1854.6	700.8	1153.9
% change from '89	6.7	7.4	8.9	7.8	6.4	8.6
1991:1	537.6	1252.8	2178.7	1974.5	739.8	1234.7
2	550.4	1274.4	2187.5	1997.3	758.7	1238.6
3	573.2	1295.2	2230.5	2044.5	780.3	1264.2
4	590.1	1319.5	2230.6	2090.5	809.1	1281.4
YEAR	562.8	1285.5	2206.8	2026.7	772.0	1254.7
% change from '90	11.0	7.1	8.5	9.3	10.2	8.7

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989 FORECAST DATA

Percent Change from January 1990 Forecast

+ .17%	State Local Purch.
+ .03%	Pers. Cons. Expend.
+ .02%	GNP
- .04%	Gross Private Dom. Inv.
- .92%	Federal Govt. Purch.
- 4.82%	Net Exports

Since the U. S. Department of Commerce again postponed the release of the second revision of its income and product data for the fourth quarter 1989, data for 1989:4 in the table on the following page are KEDI's estimates of the second revision.

For comparison, below are data showing: (1) KEDI's estimate of GNP and components published in the January KES Survey, p. 7. (2) U. S. Department of Commerce estimate published after KEDI's release. Comparison shows that KEDI's data have been quite close to those of the U.S. Dept. of Commerce:

	KEDI's data before the Dept. of Commerce release (bil. $)	U.S. Dept of Commerce release (bil. $)
GNP	4166.1	4168.1
Pers. Cons. Expend.	2687.3	2689.3
Gross Private Dom. Invest.	736.3	732.7
Net Exports	-65.1	-53.8
Fed. Govt. Purchases	336.0	333.6
State and Local Purch.	467.9	474.2

TABLE 1.13
REAL GNP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross National Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1988*	4024.4	2598.4	715.8	-74.9	328.9	456.2
1989:1*	4106.8	2641.0	721.1	-55.0	335.5	464.2
2*	4132.5	2653.7	719.8	-51.2	343.6	466.7
3*	4162.9	2690.1	724.6	-57.1	336.1	469.2
4	4169.6 P	2680.2 P	735.3 P	-54.1 P	333.5 P	474.7 P
YEAR	4142.9	2666.2	725.2	-54.4	337.2	468.7
% change from '88	2.9	2.6	1.3	-27.4	2.5	2.7
1990:1	4178.5	2679.7	737.2	-55.2	340.1	476.7
2	4216.2	2707.1	740.1	-54.4	346.1	477.3
3	4247.0	2730.4	743.2	-56.0	350.1	479.3
4	4285.3	2753.9	744.0	-50.4	355.2	482.6
YEAR	4231.8	2717.8	741.1	-54.0	347.9	479.0
% change from '89	2.1	1.9	2.2	-.6	3.2	2.2
1991:1	4320.2	2770.4	749.0	-47.1	360.1	487.8
2	4342.8	2784.0	751.5	-45.1	362.3	490.1
3	4369.9	2798.6	753.2	-42.2	365.3	495.0
4	4390.1	2805.8	755.8	-41.5	371.2	498.8
YEAR	4355.8	2789.7	752.4	-44.0	364.7	492.9
% change from '90	2.9	2.6	1.5	-18.6	4.8	2.9

*Historical data.

R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .15%	Producer Price Index
+ .12%	Consumer Price Index
+ .12%	GNP
+ .04%	State Local Purch.
0.00%	Federal Govt. Purch.
0.00%	Pers. Cons. Expend.

IN JANUARY, PRODUCER PRICES OF FINISHED GOODS SHOT UP 1.8% DUE TO THE IMPACT OF UNUSUALLY COLD WEATHER.

Excluding food and energy, they rose only .1%. The 1.8% surge is clearly just a temporary aberration. Forecast data for 1990 do not indicate any similar jump to take place later in the year; a moderate growth is expected to take place instead.

The increase in the January CPI is also considered a temporary aberration caused by effects of the December cold spell which pushed up the heating oil and food prices. Excluding these two items, the rise in CPI has been moderate.

While the relief in producer prices is expected to begin in February, the consumer prices will stay a bit longer, propelled by increases in prices of some services segments that employ low-wage earners who will soon get increases due to the new minimum-wage regulation scheduled to take effect this spring.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1988*	118.3	108.0	121.3	124.5	115.9	128.8
1989:1*	121.7	111.7	125.1	124.5	118.9	132.9
2*	123.7	113.8	125.9	126.8	118.2	134.4
3*	124.7	113.6	126.9	130.4	119.8	135.6
4	125.7	114.8	129.1 P	132.3 P	121.1 P	136.5 P
YEAR	124.0	113.5	126.8	128.5	119.5	134.8
% change from '88	4.8	5.1	4.5	3.2	3.1	4.7
1990:1	126.9	116.4	129.9	135.4	122.2	137.4
2	129.0	117.3	130.4	135.7	123.1	138.9
3	130.4	119.7	132.0	137.4	124.1	141.1
4	131.9	121.9	135.4	142.1	124.9	142.9
YEAR	129.6	118.8	131.9	137.7	123.6	140.1
% change from '89	4.5	4.7	4.1	7.1	3.4	3.9
1991:1	133.0	122.4	136.2	143.3	126.0	143.1
2	134.7	124.1	137.0	144.1	127.1	144.2
3	136.0	125.9	138.8	146.4	128.6	146.2
4	137.9	127.2	139.9	147.6	129.6	148.7
YEAR	135.4	124.9	138.0	145.3	127.8	145.5
% change from '90	4.5	5.1	4.6	5.6	3.4	3.9

*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .19%	State Local Purch.
+ .18%	Pers. Cons. Expend.
- .01%	GNP
- .58%	Gross Private Dom. Inv.
- .98%	Federal Govt. Purch.
- 1.12%	Net Exports

Data for 1989:4 in Table 1.22 on the following page are KEDI's approximations of the U. S. Department of Commerce second revision of National Income and Product data, expected to be released FEbruary 28, i.e., after the closing date of this months issue.

For comparison, below are data of KEDI's approximation of the U. S. Department of Comerce first estimate of the 1989:4 GNP and components (column 1) and the U. S. Department of Commerce estimates released after the closing date of the January issue of this survey.

(In bil. $)

	Col. 1 KEDI (Jan '90 issue)	Col. 2 Commerce January release
GNP	5343.2	5337.0
Pers. Cons. Expend.	3537.6	3547.5
Gross Priv. Dom. Invest.	788.5	784.8
Net Exports	-56.2	-53.8
Fed. Purch.	403.9	408.8
State Purch.	648.0	649.8

TABLE 1.22
NOMINAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross National Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	4880.6	3235.1	750.3	-73.7	381.3	587.6
1989:1*	5113.1	3381.4	769.6	-54.0	399.0	617.0
2*	5201.7	3444.1	775.0	-50.6	406.0	627.2
3*	5281.0	3508.1	779.1	-45.1	402.7	636.2
4	5341.3 P	3563.2 P	780.2 P	-54.0 p	403.9 p	648.0 P
YEAR	5234.3	3474.2	776.0	-50.9	402.9	632.1
% change from '88	7.2	7.4	3.4	-30.9	5.7	7.6
1990:1	5427.9	3630.0	785.1	-57.8	415.6	655.0
2	5497.9	3673.7	790.3	-55.1	426.0	663.0
3	5606.0	3749.3	798.0	-52.0	434.5	676.3
4	5802.3	3910.9	804.2	-46.1	443.6	689.6
YEAR	5583.5	3741.0	794.4	-52.8	429.9	671.0
% change from '89	6.7	7.7	2.4	3.6	6.7	6.1
1991:1	5884.1	3969.1	807.3	-44.1	453.7	698.0
2	5949.6	4012.3	810.2	-40.1	460.5	706.7
3	6065.4	4098.9	813.1	-40.0	469.8	723.7
4	6141.7	4140.2	815.0	-36.2	481.1	741.7
YEAR	6010.2	4055.1	811.4	-40.1	466.3	717.5
% change from '90	7.6	8.4	2.1	-24.0	8.4	6.9

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .01%	Population
0.00%	Agriculture
0.00%	Civilian Labor Force
- .05%	Total Employed
- .06%	Non Agriculture
- .10%	Unemployment

THE JANUARY UNEMPLOYMENT RATE REMAINED AT 5.3% FOR THE EIGHTH STRAIGHT MONTH.

The economy added 275 thousand jobs, mainly in the services sector and construction.

Forecast data for this year show that gradual declines in numbers of jobs in manufacturing are going to end in this quarter. Starting the second quarter and throughout the second half of this year, forecast data of employment in manufacturing show a renewed upward trend. The reason is that most of the declines of numbers of jobs in manufacturing has been due to two industries only: automobiles and electrical machinery. Forecast data on output, orders, shipments, and employment in these two industries point to the trough to take place in the first quarter of this year, and to continuous improvements thereafter.

KEDI forecast data of the unemployment rate are a bit more optimistic when compared to those of the Federal Reserve. As reporrted by the Wall Street Journal, Feb. 21, p. 2, the majority of the Fed's leading officials expect the unemployment rate this year to hover within 5.5-5.75%. KEDI's forecast points to the average 5.3-5.4% rate for most of this year.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------*			Unemployment rate
			Total	Agricult.	Non-agric.	
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1988*	249.8	121.7	115.2	3.2	113.6	5.50
1989:1*	253.9	123.3	116.9	3.2	113.6	5.17
2*	254.3	123.8	117.3	3.2	114.1	5.27
3*	255.1	124.0	117.7	3.2	114.5	5.23
4	256.0	125.3 P	118.6 P	3.2 P	112.6 P	5.31 P
YEAR	254.8	124.1	117.4	3.2	114.2	5.25
% change from '88	2.0	2.0	1.9	0.0	.6	-4.64
1990:1	257.4	126.1	119.3	3.2	116.1	5.40
2	258.9	126.9	120.1	3.2	116.9	5.37
3	260.2	127.9	121.1	3.2	117.9	5.34
4	261.8	128.6	121.8	3.2	118.6	5.30
YEAR	259.6	127.4	120.6	3.2	117.4	5.35
% change from '89	1.9	2.6	2.6	0.0	2.7	2.05
1991:1	262.4	129.2	122.4	3.2	119.2	5.28
2	263.5	130.1	123.3	3.2	120.1	5.22
3	265.1	131.1	124.3	3.2	121.1	5.20
4	266.4	132.2	125.2	3.2	122.0	5.26
YEAR	264.4	130.6	123.8	3.2	120.6	5.24
% change from '90	1.8	2.6	2.6	0.0	2.8	-2.10

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990
FORECAST
DATA

Percent Change from January 1990 Forecast

+	.35%	Single Family Housing Starts
+	.12%	Mobile Home Shipments
+	.12%	1-Family unit price new
	0.00%	1-Family unit price existing
-	.04%	Permits Issued
-	.88%	Multiple Family Housing Starts

HOUSING STARTS IN JANUARY ROSE TO A SEASONALLY ADJUSTED RATE OF 1625 THOUSAND UNITS FROM A REVISED 1254 THOUSAND UNITS IN DECEMBER--A RECORD OF 29.6%.

Averaging the low December figures affected by harsh weather conditions, and the high January figures affected by balmy weather and expectations of home builders, one gets a pretty good number of 1024 thousand single-family starts which indicates that the housing industry is far from being in bad shape. In addition, the January housing starts soared despite some increases in mortgage rates that took place during the month. Forecast data indicate a continuous good strength in the single-family segment throughout the year, and significantly improved performance in the apartment housing segment.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1988*	1.081	.407	.218	1.456	139.0	112.5
1989:1*	1.070	.448	.217	1.373	144.0	115.6
2*	.994	.389	.202	1.319	146.7	116.5
3*	.996	.376	.198	1.301	150.4	121.7
4	.974 P	.357 P	.204 P	1.261 P	154.8 P	123.0
YEAR	1.008	.393	.205	1.313	149.0	119.2
% change from '88	-6.7	-3.6	-5.8	-9.8	7.2	6.0
1990:1	1.010	.328	.197	1.330	155.1	124.1
2	1.105	.399	.210	1.477	157.0	127.3
3	1.120	.457	.231	1.490	163.0	129.2
4	1.137	.431	.220	1.485	164.5	130.5
YEAR	1.093	.404	.214	1.446	159.9	127.8
% change from '89	8.4	2.9	4.5	10.0	7.3	7.2
1991:1	1.106	.415	.218	1.500	168.4	134.0
2	1.205	.450	.238	1.601	170.1	135.6
3	1.267	.461	.242	1.673	175.0	138.7
4	1.240	.417	.249	1.601	177.2	140.1
YEAR	1.204	.436	.237	1.594	172.7	137.1
% change from '90	10.2	7.9	10.4	10.3	8.0	7.3

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .60%	Total Light Truck Sales
0.00%	Dealer Inventory
- 1.33%	Shipments
- 1.47%	Total Car Sales
- 1.62%	Imported Car Sales
- 2.40%	Domestic Car Sales

RECENT DATA INDICATE THAT THE AUTOMOBILE INDUSTRY IS GETTING OUT OF THE WOODS.

During January the U.S. dealers have drastically reduced their inventories of unsold cars from the end-of-December supply of 91 days to the end-of-January supply of 72 days. January sales rose by 3.4% and early February data indicate a continuous strength in the market for cars and light-duty trucks.

Forecast data show that some weakenss in car and light-duty truck sales take place in March; however, the next month's slowdown is considered temporary. Data afor the second and following quarters of this year indicate that the 1989:3-1990:1 trough of the cycle is over.

The price forecast for cars is less satisfactory for buyers. Though prices of cars are expected to remain within tolerable limits, data indicate that the wave of generous discounts, low cost financing and rebates will not be as great as experienced in December and January. The future supply of carss has been reduced by plant closings and is becoming more adequate to the expected demand, which, in turn, means that markets for cars will not have to be stimulated as intensively as they were in past months.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1988*	10.6	7.5	3.1	1.6	7.6	4.3
1989:1*	9.9	6.9	2.9	1.8	7.6	4.2
2*	10.3	7.3	3.0	1.8	7.4	4.1
3*	10.7	7.8	2.9	1.4	7.6	4.6
4	9.3 P	6.5 P	2.6 P	1.8 P	7.0 P	4.0 P
YEAR	10.1	7.1	2.9	1.8	7.4	4.2
% change from '88	-5.2	-5.0	-8.1	12.5	-2.6	-1.7
1990:1	9.7	6.8	2.9	1.7	7.3	3.9
2	9.9	7.2	2.7	1.7	7.7	4.0
3	10.5	7.4	3.1	1.8	7.8	4.6
4	10.8	7.7	3.1	1.8	7.5	4.7
YEAR	10.2	7.3	3.0	1.8	7.6	4.3
% change from '89	1.7	-1.8	3.5	0.0	2.4	1.8
1991:1	10.7	7.7	3.0	1.8	7.7	4.6
2	10.9	7.8	3.1	1.7	7.7	4.8
3	11.2	8.3	2.9	1.7	7.9	4.7
4	10.8	7.9	2.9	1.8	7.8	4.8
YEAR	10.9	7.9	3.0	1.8	7.8	4.7
% change from '90	6.6	5.8	.8	0.0	2.6	9.9

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .17%	Federal Surplus Deficit
+ .15%	State Income Tax
- .09%	State Local Corp. Tax Accrued
- .16%	Federal Income Tax
- .20%	State Surplus Deficit
- 1.53%	Corporate Profit Tax Accrued

EXTENSION OR MODIFICATION OF THE GRAMM-RUDMAN-HOLLINGS ACT IS BEING DISCUSSED CONCERNING THE STATUS OF SOCIAL SECURITY SURPLUSES AND FEDERAL BUDGET DEFICITS.

Since the enactment of Gramm-Rudman it has been becoming increasingly clear that the goal of balanced Federal budget in 1991, later on postponed to 1993 will not be met. KEDI's forecasts have been persistently showing deficits of the magnitude of $40-60 billion in the time when the Federal budget supposedly should have been balanced.

The proposal to separate Social Security from the rest of the Federal budget, and to extend the target to achieving a balance by the end of this decade will undoubtedly bring more clarity since the function of the Social Security system is clearly different from the function of the Federal budget.

Long-term simulation shows that a balanced budget without using Social Security surpluses will be hard to achieve. Simulated data still show a deficit range of $30-50 billion, assuming the structure of Federal receipts and expenditures remain unchanged.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

	-----FEDERAL-----------			*---STATE AND LOCAL----*		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	413.0	111.4	-145.8	173.7	26.5	49.7
1989:1*	446.8	117.0	-147.5	181.5	27.4	48.8
2*	465.1	109.7	-145.4	187.5	25.2	47.5
3*	460.9	108.0	-142.2	190.1	29.2	50.0
4	466.3 P	102.1 P	-139.5 P	196.4 P	30.1 P	50.1 P
YEAR	459.8	109.2	-143.7	188.9	28.0	49.1
% change from '88	11.3	-2.0	-1.5	8.7	5.6	-1.2
1990:1	484.0	105.4	-126.2	201.0	30.7	52.0
2	488.9	110.1	-123.9	203.1	31.4	53.0
3	500.4	117.5	-108.3	208.0	32.6	55.1
4	509.2	121.5	-99.7	209.4	33.8	57.0
YEAR	495.6	113.6	-114.5	205.4	32.1	54.3
% change from '89	7.8	4.1	-20.3	8.7	14.8	10.5
1991:1	520.0	129.0	-92.1	210.1	35.2	58.4
2	526.3	134.3	-84.8	214.2	36.1	60.7
3	531.7	137.8	-80.5	223.8	40.7	61.2
4	540.6	143.4	-77.2	229.5	41.3	62.4
YEAR	529.6	136.1	-83.7	219.4	38.3	60.7
% change from '90	6.9	19.8	-27.0	6.8	19.3	11.8

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ 1.48%	Personal Savings
+ .86%	Personal Disp. Income
+ .78%	Personal Income
+ .01$	Average Weekly Earnings
- .06%	Comp. of Employees
- 1.35%	Corporate After Tax Profit

THE OVERALL OUTLOOK ON PROFITS THIS YEAR SHOWS GRADUAL IMPROVEMENTS IN THE FIRST HALF AND ACCELERATION TO A HEALTHY PACE IN THE SECOND HALF OF THIS YEAR.

This forecast remains even though the forecast data on corporate profits in the first and second quarters do not look too encouraging for many industries in manufacturing.

KEDI data are distinct from the expectations of some forecasters such as the Blue Chip Indicators who expect profits to fall 3% this year compared to the 6% decline in 1989.

Forecast data for industries expected to lead the increases in after-tax profits show the highest gains for medical, biotechnology, office equipment, heavy construction, electric utilities, food, aerospace, instruments, precious metals, semiconductors, some chemicals, diversified financial services, forest products, and industrial technology. At the other end of the spectrum are mining, saving and loan associations, factory equipment, steel, paper products, railroads, and automobiles.

Data for Personal Income and Components show regular trends without any significant ups or downs.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1988*	4064.5	3477.8	2904.9	168.9	144.7	417.7
1989:1*	4317.8	3689.5	3060.9	173.6	205.7	426.3
2*	4400.3	3747.0	3104.9	161.1	200.7	426.8
3*	4455.9	3806.8	3189.6	158.2	195.1	432.7
4	4542.2 P	3869.8 P	3250.1 P	150.7 P	215.2 P	436.7 P
YEAR	4429.1	3778.3	3151.4	160.9	204.2	430.6
% change from '88	9.0	8.6	8.5	-4.7	41.1	3.1
1990:1	4688.7	4003.7	3293.7	153.4	211.4	435.0
2	4741.0	4049.0	3371.2	158.2	209.6	440.2
3	4842.2	4133.8	3480.4	163.2	214.1	451.3
4	5021.3	4302.7	3532.6	170.3	215.2	457.8
YEAR	4823.3	4122.3	3419.5	161.3	212.6	446.1
% change from '89	8.9	9.1	8.5	.2	4.1	3.6
1991:1	5099.9	4369.8	3654.1	176.5	219.4	460.5
2	5154.4	4413.9	3700.2	184.3	214.7	462.6
3	5267.4	4511.9	3766.1	187.2	220.5	464.3
4	5334.5	4564.4	3828.9	192.4	224.5	470.3
YEAR	5214.0	4465.0	3737.3	185.1	219.8	464.4
% change from '90	8.1	8.3	9.3	14.8	3.4	4.1

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .23%	Consumer & Demand Deposits
+ .14%	Consumer Install. Credit
+ .07%	Large Denom. Time Deposits
+ .04%	Comm. & Indust. Loans at Banks
0.00%	Time Deposits
- .12%	Mortg. at Savings Inst'ns

IT IS ANTICIPATED THAT THE FED WILL KEEP INCREASING THE MONEY SUPPLY, SPECIFICALLY M1 AT A FASTER PACE THAN IT DID THROUGH MOST OF 1989.

KEDI believes that the Federal Reserve Open Market Committee at its February 6-7 meeting accepted the policy not to continue easing credit conditions for some time, and that it will not be as tight concerning money supply.

Compared to 1989, the growth of most monetary and credit aggregates this year is expected to slow down a bit in the first half of this year, and commercial and industrial loans, while the growth of M1, M2, and CD's is expected to proceed at a faster pace.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1988*	773.1	3009.5	659.9	558.1	512.4	3268.3
1989:1*	786.7	3071.2	691.2	560.1	558.9	3328.8
2*	775.7	3080.2	701.7	562.4	563.0	3391.3
3*	778.1	3139.8	706.2	563.6	565.2	3357.2
4	791.2	3199.5	711.9	564.9	571.6	3386.4
YEAR	782.9	3122.7	711.9	564.9	571.6	3386.4
% change from '88	1.3	3.8	7.9	5.3	11.6	3.6
1990:1	795.3	3249.4	719.9	570.2	587.1	3420.0
2	808.1	3312.8	723.4	575.4	600.2	3480.3
3	815.2	3379.5	736.7	587.7	618.8	3551.2
4	822.5	3441.5	752.7	580.6	622.0	3570.8
YEAR	810.3	3345.8	752.7	580.6	622.0	3570.8
% change from '89	3.5	7.1	5.7	2.8	8.8	5.4
1991:1	827.1	3486.2	773.7	586.2	641.0	3591.6
2	834.8	3569.6	789.7	587.8	650.2	3615.4
3	841.5	3644.3	796.8	589.9	661.5	3669.2
4	849.2	3732.3	817.1	587.7	670.1	3714.5
YEAR	838.1	3608.1	817.1	597.7	670.1	3714.5
% change from '90	3.4	7.8	8.6	2.9	7.7	4.0

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ .54%	20 Year Govt. Bond Yield
+ .40%	Treas. Bills 2 mo. yield
+ .03%	S & P's 500 Avg.
+ .02%	Prime Rate
0.00%	Conv. Mortg. Rate
- .64%	Aaa Corp. Bonds

THROUGHOUT 1990 INTEREST RATES WILL CONTINUE TO DECLINE AT A VERY SLOW AND GRADUAL PACE.

KEDI's outlook for interest rates is repeatedly underscoring the expected trend in 1990 as has been outlined in this survey and other KEDI materials for many months.

KEDI forecasts have never shared the opinion of some journalists and economists arguing, in short that since the economy is near or already in a recession, the Fed will have no other choice but to push interest rates down in order to avoid a possible catastrophy.

It has been KEDI's view, in its forecasts and analyses, that the U.S. economy has never been at the verge of a recession--neither in 1989 nor since 1982, and that no recession will take place thir year or in 1991.

Therefore, there is and will not be any urgent need to press interest rates down: the economy is and will continue to grow albeit at a slow pace. Currently, the Federal Reserve cannot push interest rates down. Inflation though at a slow pace continues to persist and the Fed has to keep it in check by preserving relatively high interest rates.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1988*	6.68	9.39	8.81	9.71	8.96	265.72
1989:1*	8.53	10.98	9.43	9.67	9.04	290.72
2*	8.44	10.86	9.75	9.49	8.71	313.30
3*	7.84	10.63	9.97	9.14	8.18	341.63
4	7.88	10.50	9.61	8.86	7.81	346.23
YEAR	8.17	10.74	9.69	9.29	8.44	322.97
% change from '88	22.3	14.4	10.0	-4.3	-5.9	21.5
1990:1	7.78	10.02	7.92	9.10	7.70	349.67
2	9.65	10.00	9.27	9.27	7.56	350.11
3	7.52	10.00	8.89	9.65	7.52	352.18
4	7.37	10.04	8.79	9.85	7.44	349.22
YEAR	8.08	10.02	8.72	9.47	7.55	350.30
% change from '89	-1.1	-6.8	-10.0	1.9	-10.4	8.5
1991:1	7.24	9.96	9.06	9.78	7.61	351.64
2	7.35	9.90	9.21	9.98	7.84	359.98
3	7.46	9.92	9.35	10.01	7.72	357.54
4	7.50	10.04	9.62	10.06	7.60	363.24
YEAR	7.39	9.96	9.31	9.96	7.69	358.10
% change from '90	-8.6	-.6	6.8	5.2	1.8	2.2

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the Unemployment Rate has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figure has been calculated from monthly figures for January - November 1989 in the Survey of Current Business (U.S. Department of Commerce, Washington, D.C., monthly), 63 (1989), blue pages and figures for December 1989 released by the U. S. Department of Labor, January 5, 1990.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Unemployment Rate in 1989.
Actual figure: 5.3%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	5.0	- 5.7
Salomon Brothers	12/88	5.0	- 5.7
Morgan Guaranty	12/88	5.3	0
Prudential-Bache	12/88	4.9	- 7.5
Merrill Lynch	12/88	5.5	+ 9.3
Blue Chip Indicators	12/88	5.5	+ 9.3
Chrysler Corporation	12/88	6.1	+15.1
UCLA Forecasting Project	12/88	5.6	+ 5.7
KEDI, Inc.	12/88	5.3	0

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin**, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production**, G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

March 1990

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SOURCES:

Approximates of the U.S. Dept. of Commerce third estimates of 1989:4, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, March 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recent data show that the economy is shrugging off lethargyd and resuming a faster growth.

Prices

Consumer prices are expected to resume their normal trend in April-May but not expected to accelerate upward afterward.

Employment & Labor

The unemployment rate of 5.3% for February--the ninth consecutive month--suggests a solid, not sluggish economy.

Housing

Despite dire predictions by some economists, KEDI forecast shows that 1990 will be better than last year for homebuilders.

Automobiles

The automobile segment is definitely getting our of the woods, with no signs of sluggishness.

Budgets

It is anticipated that the Administration's budget forecast for FY 1991 will contain the expected $63 bil. deficit.

Income

Forecast data on corporate earnings show a slow growth for all of 1990 with no improvement until next year.

Money & Credit

Slight accelerations are expected to take place in consumer Credit and mortgage credit in the second half of this year.

Interest Rates, Yields & Securities Prices

In coming months, interest rates are expected to decline a bit, especially the mortgage rates and yields on long-term securities.

0.02 ASSUMPTIONS

		Last Update
1.	In 1989, the weighted price of oil will increase slightly as compared to 1988. It will continue increasing in the 1990-1991 period.	July 1989
2.	Tightening of monetary and credit policies in the first half of 1989, is expected to be followed by some relaxation in the second half of 1989 and throughout 1990.	September 1989
3.	In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.3%; France 2.2%; Japan 3.3%; Canada 3.0%	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the March 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to to recession or major downturn.	January 1987
*	In 1990 interest rates will be declining slightly.	June 1989
*	Federal budget deficits will keep declining in in 1990 and the following years.	January 1987
*	The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4143.6	4626.3	4755.9	4903.3
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	141.8	158.3	163.5	169.0
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.3	83.8	83.6
utiliz., p. 5	% change	.6	.2	-.6	-.2
Unemployment	%	5.2	5.2	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.8	1.8	1.8
starts, p. 5	% change	-5.8	4.1	-1.5	3.8
Car sales,	mil.units	10.1	10.9	11.2	11.6
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.6	148.6	153.9	159.0
price def.,p.11	% change	4.4	3.4	3.6	3.3
Consumer Price	1967=100	124.0	147.7	152.8	158.0
Index, p. 11	% change	4.7	3.5	3.4	3.4
Prod.Price Index	1967=100	113.5	136.0	142.1	147.6
(fin.goods),p.11	% change	5.1	4.3	4.5	3.9
Federal Deficit	bil. $	-145.7	-40.9	-32.5	-26.4
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4436.5	6131.3	6554.3	7065.5
p. 23	% change	9.0	7.6	6.9	7.8
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	910.0	964.7	1023.5
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2344.9	2506.7	2689.7
p. 7	% change	5.5	7.8	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+10.20%	Private Housing Starts
+ 2.14%	GNP
+ 1.43%	Index Indust. Prod.
+ 1.0%%	Unemployment
+ .74%	Autos
- .77%	Capacity Util.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENT DATA SHOW THAT THE ECONOMY IS SHRUGGING OFF LETHARGY AND RESUMING A FASTER GROWTH.

Forecast data for the rest of the year are optimistic with no recession in sight, and a moderate growth accelerating in the second half of this year:

* In February, industrial production increased by 1.8%, pushed by the output of motor vehicles and durables.

* In its latest survey of regional economic conditions convering January and February, the Federal Reserve found that the economy continues growing.

* In January, construction spending rose to $424 bil., seas. adjusted, from a revised $416.4 bil. in December, 1989.

* The index of economic activity compiled by the National Association of Purchasing Managers rose to 48.3% in February from 45.2% in January.

* Inventories of manufacturers and in retail and wholesale trade grew in January by .2% while sales increased by .3%--a normal trend showing that inventories continue to be manageable.

* In January, unfilled orders rose to $515.4 bil., in December.

* For the 9th consecutive month the unemployment rate in February stood at 5.3%, with record numbers of newly created jobs.

* Orders for durable goods fell sharply. The decline is generally considered a temporary aberration only, after the significant gains in month earlier.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1977=100	Unem-ployment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1989*	4143.6	141.8	5.24	84.0	1.400	10.1
1990:1	4178.1	141.~~7~~9	5.30	83.2	1.530	9.9
2	4216.0	14~~2~~3.5	5.34	83.5	1.502	9.9
3	4247.0	144.7	5.28	83.5	1.570	10.3
4	4285.3	146.~~0~~8	5.29	83.6	1.569	10.6
YEAR	4231.6	14~~3~~4.2	5.30	83.5	1.5	10.2
% change from '89	2.1	1.~~4~~9	1.2	-.7	10.2	.7
1991:1	4320.2	147.4	5.25	83.7	1.611	10.7
2	4342.0	148.3	5.22	83.8	1.703	10.9
3	4369.9	149.2	5.20	83.6	1.828	11.2
4	4390.1	151.7	5.24	83.9	1.757	10.8
YEAR	4355.6	149.2	5.23	83.8	1.725	10.9
% change from '90	2.9	3.8	-1.4	.4	11.8	7.1
1992:1	4477.7	152.5	5.24	83.8	1.666	10.0
2	4494.6	153.6	5.26	84.0	1.734	10.5
3	4512.9	155.4	5.20	84.2	1.799	11.0
4	4533.6	156.1	5.22	84.6	1.698	10.7
YEAR	4504.7	154.4	5.23	84.2	1.724	10.6
% change from '91	3.4	3.5	.0	.5	-.0	-3.2

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+ 8.55%	Retail Sales Nondurable
+ 7.91%	Retail Sales Total
+ 7.44%	Pers. Con Expend. Nondurable
+ 7.86%	Pers. Con Expend. Durable
+ 6.92%	Pers. Con Expend. Services
+ 6.77%	Retail Sales Durable

RETAIL SALES IN FEBRUARY FELL TO A SEASONALLY ADJUSTED $146.54 BIL. FROM A REVISED $147.94 BIL. IN JANUARY, A DECLINE OF .9%.

The decline was due exclusively to auto dealers who plunged 6% from January. Most other retailers, including department stores, clothing stores and building supply dealers reported healthy gains in sales.

Looking beyond the erratic auto sales, the retail numbers indicate consumer spending is sound and strong enough to keep the economy growing.

Averaging the last months' ups and downs in retail sales, data indicate a mild rebound has already taken place. For the balance of the year, forecast data show the acceleration of retail sales and a continuous, vigorous demand of consumers. The strongest growth this year is expected to be in building materials, department stores, and gasoline stations.

Forecast for grocery stores is also optimistic, while data for furniture stores, and apparel and accessory stores point to moderate growth.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr. 1989*	476.8	1122.7	1876.1	1718.1	656.7	1062.1
1990:1	494.1	1181.2	1757.6	1802.3	682.3	1120.0
2	506.7	1195.8	1992.4	1837.1	696.1	1141.0
3	518.9	1208.4	2057.9	1862.5	708.4	1154.1
4	529.2	1219.3	2176.8	1923.4	726.5	1196.9
YEAR	512.2	1201.2	1996.2	1856.3	703.3	1153.0
% change from '89	7.4	7.0	6.4	8.0	7.1	8.6
1991:1	547.3	1254.8	2181.6	1978.5	739.0	1239.5
2	560.4	1279.4	2187.5	2001.2	754.2	1247.0
3	581.2	1299.3	2228.8	2040.5	773.3	1267.2
4	598.7	1324.5	2226.9	2081.6	801.1	1280.5
YEAR	571.9	1289.5	2206.2	2025.5	766.9	1258.5
% change from '90	11.7	7.4	10.5	9.1	9.0	9.2
1992:1	611.4	1348.7	2340.0	2120.2	819.5	1300.7
2	618.5	1372.6	2360.4	2159.7	827.6	1332.1
3	626.3	1394.8	2442.5	2195.3	843.2	1352.1
4	631.5	1419.6	2540.2	2225.9	860.9	1365.0
YEAR	621.9	1383.9	2420.8	2175.3	837.8	1337.5
% change from '91	8.7	7.3	9.7	7.4	9.2	6.3

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change
from
January 1990
Forecast

+ 2.76%	Federal Govt. Purch.
+ 2.27%	State Local Purch.
+ 2.14%	GNP
+ 1.86%	Pers. Cons. Expend.
+ 1.66%	Gross Private Dom. Inv.
-12.59%	Net Exports

REVISED DATA SHOW A SIGNIFICANT IMPROVEMENT IN NET EXPORTS. THE NEW FIGURE IS 41.8%, DOWN FROM THE PREVIOUSLY REPORTED 54.1 BIL.

This indicates a better outcome in trade by nearly $13 bil., due mainly to healthy increases in exports.

The second revision of GNP and components for the last quarter of 1989 has shown that the 1989:4 GNP has increased by .9% instead of previously reported .5%. It is expected that the third and final estimate of 1989:4 will show some further improvement.

Forecast data of exports compared to imports suggest that this year will be even more successful than it was in 1989, despite the strong dollar expected to retain its strength throughout this year and afterward.

The trade gap should continue to close this year, though not as fast as last year. It will decline by approximately $10 bil. compared to the $20 bil. decline in 1989.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross National Product					
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4143.6	2670.3	720.5	-52.9	337.2	468.7
1990:1	4178.1	2681.4	730.1	-50.1	340.2	476.5
2	4216.0	2706.4	736.0	-49.4	345.1	477.9
3	4247.0	2726.6	740.2	-47.2	348.1	479.3
4	4285.3	2748.5	744.0	-43.5	352.6	483.7
YEAR	4231.6	2715.7	737.6	-47.5	346.5	479.4
% change from '89	2.1	1.7	2.4	-10.1	2.8	2.3
1991:1	4320.2	2765.1	749.0	-40.1	356.4	489.8
2	4342.0	2783.6	751.5	-42.3	359.1	490.1
3	4369.9	2796.9	753.2	-38.6	363.4	495.0
4	4390.1	2800.7	755.8	-32.4	367.2	498.8
YEAR	4355.6	2786.6	752.4	-38.4	361.5	493.4
% change from '90	2.9	2.6	2.0	-19.3	4.3	2.9
1992:1	4477.7	2886.0	756.9	-30.5	370.2	495.1
2	4494.6	2893.2	758.4	-28.7	373.4	498.3
3	4512.9	2900.4	760.2	-26.4	376.1	502.6
4	4533.6	2907.1	763.5	-23.1	379.2	506.9
YEAR	4504.7	2896.7	759.8	-27.2	374.7	500.7
% change from '91	3.4	4.0	1.0	-29.1	3.7	1.5

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+ 6.26%	Pers. Cons. Expend.
+ 3.93%	State Local Purch.
+ 3.77%	Producer Price Index
+ 3.37%	Consumer Price Index
+ 3.35%	Federal Govt. Purch.
+ 3.29%	GNP

CONSUMER PRICES ARE EXPECTED TO RESUME THEIR NORMAL TREND IN APRIL AND MAY THOUGH THEY ARE NOT EXPECTED TO ACCELERATE THE UPWARD TREND AFTERWARD.

Forecast data indicate that the inflation pressures of December and January will abate in 1990:1 and stay at a tolerable level for the rest of the year. Indications pointing to the slowdown, or even temporary declines are showing up:

* In February, farm prices declined by .6% lead by an unprecedented plunge in milk prices as demand for cheese and butter declined sharply.

* The Producer Price Index for Finished Goods in February was unchanged from January, with energy prices falling by 5% after a January jump of 13.6%, while food prices rose .9% after a 2.1% increase in January.

Forecast of Consumer Price Index shows that the effects of the December cold will last a bit longer when compared to the PPI.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.5	126.6	128.3	119.5	134.8
1990:1	121.7	111.7	125.1	128.0	122.1	137.5
2	128.9	118.2	130.8	136.5	123.1	138.9
3	130.3	119.3	132.6	138.8	124.1	141.1
4	131.8	121.1	135.4	142.8	124.7	142.9
YEAR	128.2	117.6	131.0	136.5	123.5	140.1
% change from '89	3.4	3.6	3.5	6.4	3.3	3.9
1991:1	132.8	122.3	136.2	144.1	126.0	143.1
2	134.6	123.8	137.0	144.7	127.1	144.2
3	136.1	125.9	138.8	146.9	128.6	146.2
4	138.1	127.7	139.9	148.2	129.6	148.7
YEAR	135.4	124.9	138.0	146.0	127.8	145.5
% change from '90	5.6	6.3	5.3	6.9	3.5	3.9
1992:1	139.2	128.5	140.8	146.0	130.8	150.1
2	141.3	129.8	142.1	147.6	132.1	152.6
3	143.6	131.0	144.6	151.3	132.9	154.3
4	146.9	132.2	147.3	155.6	134.0	155.2
YEAR	142.8	130.4	143.7	150.1	132.4	153.1
% change from '91	5.4	4.4	4.1	2.8	3.6	5.2

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+ 6.78%	Pers. Cons. Expend.
+ 6.25%	State Local Purch.
+ 6.22%	Federal Govt. Purch.
+ 5.91%	GNP
+ .31%	Gross Private Dom. Inv.
-13.90%	Net Exports

FOURTH QUARTER REVISIONS FOR 1989 ARE CERTAINLY NOT RECESSIONARY. SECOND REVISION HAS RAISED NOMINAL GNP FROM $5,337.6 BIL., UP BY .1% FROM 4.3% TO 4.4%.

The second revision of nominal GNP and components for 1989:4 has shown the last quarter's outcome better when compared to data released in January. It is expected that the third and final revision due sometime after March 20th will not significantly alter the February release.

Compared to the revision of the growth rate of the real GNP, which was raised from .5% to .9%, the small revision of .1% resulted from the downward revision of price increases: the price deflator for GNP has been revised downward from the 3.5% to the 3.2% rate.

The brightest point in the estimate is the revision of the figure of Net Exports. Now, the nominal trade gap of the fourth quarter has been calculated at -$48.2 bil. instead of the previous -$54.1 bil., a further improvement in line with the forecast of gradual declines in the U.S. foreign trade deficit advocated by KEDI for more than two years.

TABLE 1.22
NOMINAL GNP
Quarterly data are seasonally adjusted at annual rates.

	-----------Gross National Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5233.4	3472.6	773.3	-47.7	402.1	633.9
1990:1	5226.8	3432.9	771.1	-47.8	415.4	655.2
2	5514.5	3694.9	776.3	-45.3	424.8	663.8
3	5631.5	3785.2	780.0	-42.0	432.0	676.3
4	5802.3	3925.3	786.3	-40.2	439.7	691.2
YEAR	5543.8	3709.6	778.4	-43.8	428.0	671.6
% change from '89	5.9	6.8	.7	-8.1	6.4	6.0
1991:1	5884.1	3983.7	790.5	-40.1	449.1	700.9
2	5948.5	4027.3	795.3	-37.2	456.4	706.7
3	6065.4	4109.3	800.1	-35.0	467.3	723.7
4	6141.7	4150.1	804.2	-30.2	475.9	741.7
YEAR	6010.0	4067.6	797.5	-35.6	462.2	718.3
% change from '90	8.4	9.7	2.5	-18.7	8.0	6.9
1992:1	6304.6	4300.1	807.4	-30.3	484.2	743.1
2	6386.8	4351.5	810.3	-28.6	493.3	760.4
3	6525.7	4463.6	813.1	-26.4	499.8	775.5
4	6678.0	4591.3	815.6	-23.7	508.1	786.7
YEAR	6473.8	4426.6	811.6	-27.2	496.4	766.4
% change from '91	7.7	8.8	1.8	-23.5	7.4	6.7

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+ 2.95%	Non Agriculture
+ 2.87%	Total Employed
+ 2.68%	Civilian Labor Force
+ 2.51%	Population
+ 1.00%	Unemployment
0.00%	Agriculture

THE UNEMPLOYMENT RATE OF 5.3% FOR FEBRUARY--THE NINTH CONSECUTIVE MONTH--SUGGESTS A SOLID ECONOMY RATHER THAN A SLUGGISH ECONOMY.

The February growth of jobs was large and impressive by any standards and has been particularly noteworthy when some statistics had been indicating slowness.

According to revised data for January, the economy generated 332 thousand new jobs. The latest data show an additional 372 thousand new jobs in February, the steepest increase since June 1988 (Data are seasonally adjusted).

KEDI forecast data for this year and afterward show a continuous growth in the number of new jobs though not as robust as are the January-February statistics. Forecast data also point to significant improvements in the automobile and related industries in coming months.

It is hard to understand the professional doomsayers' predictions that the U.S. economy is at the bring of a recession when comparing their dire outlooks with the reality of such a bouyant growth of new jobs. Employers would not be hiring at such a brisk pace if they were faced with hard facts concerning a recession just around the corner.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	249.8	121.7	115.2	3.2	113.6	5.50
1990:1	259.4	126.2	119.5	3.2	116.3	5.30
2	260.3	127.0	120.2	3.2	117.0	5.34
3	262.2	127.9	121.1	3.2	117.9	5.28
4	262.9	128.6	121.8	3.2	118.6	5.29
YEAR	261.2	127.4	120.8	3.2	117.6	5.30
% change from '89	4.6	4.7	4.5	0.0	3.5	1.19
1991:1	263.4	129.2	122.4	3.2	119.2	5.25
2	264.5	130.1	123.3	3.2	120.1	5.22
3	265.1	131.1	124.3	3.2	121.1	5.20
4	266.4	132.2	125.3	3.2	122.1	5.24
YEAR	264.9	130.6	123.8	3.2	120.6	5.23
% change from '90	1.4	2.5	2.6	0.0	2.6	-1.41
1992:1	267.3	133.1	126.1	3.2	122.9	5.24
2	268.4	134.2	127.1	3.2	123.9	5.26
3	269.2	135.3	128.3	3.2	125.1	5.20
4	269.2	135.3	128.2	3.2	125.0	5.22
YEAR	268.5	134.5	127.4	3.2	124.2	5.23
% change from '91	1.4	2.9	2.9	0.0	3.0	.05

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990 FORECAST DATA

Percent Change
from
February 1990
Forecast

+22.32%	Single Family Housing Starts
+10.17%	Permits Issued
+ 7.53%	1-Family unit price new
+ 7.30%	1-Family unit price existing
+ 4.76%	Mobile Home Shipments
-21.18%	Multiple Family Housing Starts

DESPITE DIRE PREDICTIONS BY SOME ECONOMISTS, KEDI FORECAST SHOWS THAT 1990 WILL NOT BE AS BAD AS LAST YEAR FOR HOMEBUILDERS.

Though the February housing starts fell by 7%, they remained well aabove the level of the last 11 months.

In February, new single-family houses were built at a seasonally adjusted rate of 1.48 mil. which followed a 24.7% jump of January, the biggest increase since July 1982.

The February single-family starts bode well for activitiy in the coming months, with mortgage rates expected to go lower; and also indicating that the spurt of the last two months has not been the result of unusually warm weather in January only.

The February decline in multi-family housing starts is considered temporary: that month they plummeted 35% after rising 40% the previous month.

In summary, the forecast shows this year a bit better than 1989 in both segments of housing starts.

TABLE 1.41
HOUSING
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1989*	1.008	.393	.207	1.314	149.0	119.2
1990:1	1.302	.228	.198	1.332	155.5	124.6
2	1.210	.292	.210	1.479	157.0	127.3
3	1.213	.357	.231	1.490	163.9	129.2
4	1.207	.362	.220	1.485	164.5	130.5
YEAR	1.233	.310	.215	1.447	160.2	127.9
% change from '89	22.3	-21.2	3.7	10.1	7.5	7.3
1991:1	1.196	.415	.219	1.504	168.4	134.0
2	1.245	.458	.238	1.601	170.8	135.6
3	1.367	.461	.242	1.653	175.0	138.7
4	1.340	.417	.229	1.600	177.2	140.1
YEAR	1.287	.438	.232	1.590	172.8	137.1
% change from '90	4.4	41.3	8.0	9.9	7.9	7.2
1992:1	1.265	.401	.224	1.572	180.3	143.2
2	1.307	.427	.236	1.643	184.5	145.8
3	1.354	.445	.239	1.671	187.2	148.1
4	1.301	.397	.230	1.628	190.3	152.3
YEAR	1.307	.417	.232	1.629	185.6	147.3
% change from '91	1.5	-4.6	.1	2.5	7.4	7.5

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*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+ 4.31%	Imported Car Sales
+ 2.38%	Total Light Truck Sales
+ 2.36%	Shipments
+ .74%	Total Car Sales
+ .70%	Domestic Car Sales
- 5.56%	Dealer Inventory

DATA SUGGEST THAT THE AUTOMOBILE SEGMENT IS DEFINITELY GETTING OUT OF THE WOODS, AND NO SIGNS OF SLUGGISHNESS ARE EXPECTED TO REAPPEAR THIS YEAR AND AFTERWARD.

Following the Wall Street Journal of March 17, A2 repport, the U. S. automakers' production facilities are scheduled to operate next week (March 18) with several plants working overtime. That fits with their revised plans for the second quarter of this year. Now, the 10 automakers in the U.S.A. plan to build 1.749 mil. cars in April-June, an 18.9% more than 1.475 mil. in January-March.

The automatkers' outlook for light-duty trucks, pickups, vans, jeeps, and sport-utility vehicles is even more optimistic: in the second quarter of this year, they plan to build 1.010 mil. vehicles, just only 7% below lat years' second quarter record output.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	10.1	7.1	2.9	1.7	7.2	4.2
1990:1	9.9	6.9	3.0	1.6	7.3	3.9
2	9.9	7.0	2.9	1.6	7.6	4.0
3	10.3	7.2	3.1	1.8	7.8	4.6
4	10.6	7.5	3.1	1.7	7.6	4.7
YEAR	10.2	7.2	3.0	1.7	7.6	4.3
% change from '89	.7	.7	4.3	0.0	5.2	2.4
1991:1	10.7	7.6	3.1	1.8	7.7	4.6
2	10.9	7.8	3.1	1.7	7.7	4.8
3	11.2	8.0	3.2	1.7	7.9	4.7
4	10.8	7.8	3.0	1.8	7.8	4.8
YEAR	10.9	7.8	3.1	1.8	7.8	4.7
% change from '90	7.1	4.6	2.5	5.9	2.6	9.9
1992:1	10.0	6.9	3.1	1.7	7.8	4.6
2	10.5	7.3	3.2	1.8	7.8	4.8
3	11.0	7.9	3.1	1.8	7.9	4.9
4	10.7	7.5	3.2	1.9	7.7	4.6
YEAR	10.6	7.4	3.2	1.8	7.8	4.7
% change from '91	-3.2	-4.8	1.6	0.0	.3	0.0

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+13.21%	State Local Corp. Tax Accrued
+10.23%	State Surplus Deficit
+ 8.79%	State Income Tax
+ 7.83%	Federal Income Tax
+ 3.94%	Corporate Profit Tax Accrued
-23.57%	Federal Surplus Deficit

IT IS ANTICIPATED THAT THE ADMINISTRATION'S FORECAST WHICH SHOULD BE RELEASED, BY LAW, IN JULY, WILL CONTAIN THE EXPECTED $63 BIL. DEFICIT FOR THE COMING FISCAL YEAR.

KEDI forecast data of the Federal budget deficit for fiscal year 1991, which begins October 1, 1990, show the $72 bil. gap, assuming that no Administration-Congress deficit-cutting negotiations would take place. It is anticipated, however, that such talks are inescapable, and will result in the reduction of FY 1991 deficit to approximately $60-62 bil., well below the Gramm-Rudman Hollings Act target of $63 bil. for that fiscal year.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

	-----FEDERAL----------			*---STATE AND LOCAL----*		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	457.2	107.3	-145.7	188.0	27.2	49.0
1990:1	484.1	105.0	-127.2	201.2	30.1	51.6
2	488.6	110.0	-119.6	203.4	31.0	52.8
3	501.4	117.5	-100.1	208.0	32.6	55.1
4	509.2	121.5	-92.4	209.4	33.1	57.0
YEAR	495.8	113.5	-109.8	205.5	31.7	54.1
% change from '89	8.4	5.8	-24.6	9.3	16.5	10.5
1991:1	520.4	126.3	-75.3	210.8	34.3	58.5
2	526.5	130.3	-69.7	215.6	35.2	60.7
3	532.7	134.8	-60.5	223.8	37.7	61.2
4	540.6	140.4	-57.2	231.4	39.3	62.4
YEAR	530.0	133.0	-65.7	220.4	36.6	60.7
% change from '90	6.9	17.1	-40.2	7.3	15.5	12.1
1992:1	548.1	143.6	-56.5	233.5	41.2	62.7
2	559.3	147.9	-50.2	236.1	42.8	63.6
3	567.0	152.6	-47.3	260.5	44.0	64.8
4	576.2	156.8	-45.2	247.8	44.9	65.3
YEAR	562.6	150.2	-49.8	244.5	43.2	64.1
% change from '91	6.2	13.0	-24.2	10.9	18.0	5.6

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990 FORECAST DATA

Percent Change from February 1990 Forecast

+ 8.60%	Comp. of Employees
+ 5.61%	Personal Savings
+ 4.46%	Personal Income
+ 3.89%	Personal Disp. Income
+ 3.70%	Average Weekly Earnings
+ .31%	Corporate After Tax Profit

FORECAST DATA ON CORPORATE EARNINGS SHOW A SLOW GROWTH FOR ALL OF 1990, AND NO OVERALL IMPROVEMENT IS IN SIGHT EARLIER THAN NEXT YEAR.

In January, Personal Income grew at a healthy .8%, and Personal Savings climbed to 5.9% of the after-tax income from 5.5% in December.

Forecast data show that the moderately increasing trend in Personal Income and components will prevail throughout this year.

It will accelerate in the following year, proportionately to the expected more vigorous expansion of the economy and strong gains in the number of income generating jobs.

The outlook for corporate profits is not as bright when compared to forecast data on personal income.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4436.5	3782.1	3158.6	160.0	205.0	431.6
1990:1	4330.9	3645.6	3298.1	153.0	212.7	435.8
2	4600.5	3908.5	3376.2	157.5	213.6	441.2
3	4711.7	4002.3	3480.4	163.2	217.1	451.3
4	4863.1	4144.5	3534.6	171.9	219.2	457.8
YEAR	4626.6	3925.2	3422.3	161.4	215.6	446.5
% change from '89	4.3	3.8	8.3	.9	5.2	3.5
1991:1	5130.4	4399.2	3658.2	175.1	219.0	460.2
2	5183.5	4441.4	3700.2	182.3	214.7	462.6
3	5296.2	4539.7	3760.3	186.2	224.8	464.3
4	5361.3	4589.3	3821.1	190.3	229.5	470.3
YEAR	5242.9	4492.4	3734.9	183.5	222.0	464.4
% change from '90	13.3	14.4	9.1	13.7	2.9	4.0
1992:1	5531.7	4750.1	3863.4	194.3	235.7	476.3
2	5605.9	4810.5	3927.5	197.2	240.6	480.5
3	5761.6	4934.1	3995.8	200.5	247.3	486.7
4	5893.6	5069.6	4061.2	208.9	252.6	492.1
YEAR	5698.2	4891.1	3962.0	200.2	244.1	483.9
% change from '91	8.7	8.9	6.1	9.1	9.9	4.2

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
February 1990
Forecast

+10.04%	Large Denom. Time Deposits
+ 7.26%	Time Deposits
+ 5.83%	Consumer Install. Credit
+ 5.71%	Mortg. at Savings Inst'ns
+ 3.54%	Consumer & Demand Deposits
+ 3.01%	Comm. & Indust. Loans at Banks

SLIGHT ACCELERATIONS ARE EXPECTED TO TAKE PLACE IN THE CONSUMER CREDIT AND MORTGAGE CREDIT IN THE SECOND HALF OF THIS YEAR.

Forecast of monetary and credit aggregates this year shows regular developments without any significant deviations from moderate gains in M1, M2, and in the majority of credit aggregates.

For the following year, more significant gains are predicted in general, commensurate with the expected strong gains in the overall economic activity.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	564.3	584.9	3386.4
1990:1	795.8	3249.3	718.6	570.6	598.3	3422.4
2	808.9	3318.8	723.0	575.4	609.7	3480.7
3	815.2	3379.5	736.7	587.7	618.8	3551.2
4	822.5	3449.5	753.4	581.9	629.0	3579.8
YEAR	810.6	3349.3	753.4	581.9	629.0	3579.8
% change from '89	3.6	7.3	6.0	5.3	7.5	5.7
1991:1	827.6	3486.7	773.0	586.5	641.3	3598.4
2	834.7	3569.6	789.1	587.8	650.2	3619.4
3	841.5	3646.5	796.8	589.9	661.5	3669.2
4	849.2	3738.4	817.2	589.7	682.1	3714.5
YEAR	838.2	3610.3	817.2	589.7	682.1	3714.5
% change from '90	3.4	7.8	8.5	1.3	8.4	3.8
1992:1	854.6	3821.5	826.3	593.2	683.2	3798.2
2	859.9	3906.9	834.5	594.6	685.7	3902.6
3	865.8	3992.4	840.7	596.1	689.3	3998.7
4	873.4	4078.3	845.9	598.8	696.5	4105.3
YEAR	863.4	3949.8	845.9	598.8	696.5	4105.3
% change from '91	3.0	9.4	3.5	1.5	2.1	10.5

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990 FORECAST DATA

Percent Change from February 1990 Forecast

+10.05%	S & P's 500 Avg.
+ 1.96%	Aaa Corp.
- 5.12%	20 Year Govt. Bond Yield
- 5.26%	Conv. Mortg. Rate
- 6.69%	Prime Rate
- 6.98%	Treas. Bills 2 mo. yield

KEDI MAINTAINS THE FORECAST OF DECLINING INTEREST RATES. IN COMING MONTHS, INTEREST RATES ARE EXPECTED TO DECLINE A BIT, ESPECIALLY THE MORTGAGE RATES AND YIELDS ON LONG-TERM SECURITIES.

Further, more general declines are expected to take place in the second half of this year. It is anticipated that possible interest rates increases in Japan and West Germany will not affect interest rates in the U.S.A. Though the globalization of international flows of capital made the U.S. financial markets more dependent on developments in international finance, it has to be taken into account that, at the present time, the U.S. financial markets are not as dependent on inflows of foreign capital as they were in the past few years, due mainly to the decreasing Federal deficits and significant improvements in the U. S. balance of payments. That means the U.S. policy has enough room to pursue its own interest rates policy without being forced to follow the lead of some countries with strong financial position.

It is anticipated that the attractiveness of foreign investments in U.S. assets will not be negatively affected when the gap between the foreign and domestic interest rates level will become more narrow.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.15	10.74	9.69	9.29	8.44	322.97
1990:1	7.81	10.00	9.72	9.12	7.91	351.20
2	7.70	10.00	9.27	9.27	8.66	356.12
3	7.52	10.00	8.94	9.65	7.82	359.18
4	7.37	9.97	8.79	9.85	7.64	355.24
YEAR	7.60	9.99	9.18	9.47	8.01	355.44
% change from '89	-6.7	-7.0	-5.3	2.0	-5.1	10.1
1991:1	7.24	9.75	9.06	9.78	7.61	358.64
2	7.35	9.90	9.21	9.98	7.84	364.92
3	7.46	9.92	9.34	10.01	7.72	367.58
4	7.50	10.04	9.62	10.06	7.60	373.21
YEAR	7.39	9.90	9.31	9.96	7.69	366.09
% change from '90	-2.8	-.9	1.4	5.1	-3.9	3.0
1992:1	7.70	10.14	9.65	10.04	7.80	379.16
2	7.85	10.25	9.89	10.12	7.78	385.24
3	8.04	10.50	10.02	10.31	8.02	389.71
4	8.16	10.75	10.46	10.25	8.14	383.56
YEAR	7.94	10.41	10.01	10.18	7.94	384.42
% change from '91	7.4	5.1	7.5	2.2	3.2	5.0

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the Index of Industrial Production has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figure is in the Survey of Current Business (U.S. Department of Commerce, Washington, D.C., monthly), 64 (1990), 3 blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Index of Industrial Production
(% increase from 1988 to 1989)
Actual figure: 3.3%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	3.7	+12.1
Salomon Brothers	12/88	4.4	+33.3
Morgan Guaranty	12/88	3.7	+12.1
Prudential-Bache	12/88	4.6	+39.4
Merrill Lynch	12/88	3.2	- 3.0
Blue Chip Indicators	12/88	3.0	- 9.1
Chrysler Corporation	12/88	2.2	-33.3
UCLA Forecasting Project	12/88	1.6	-51.5
KEDI, Inc.	12/88	3.5	- 6.1

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

April 1990

Prepared by the staff of

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SOURCES:

Approximates of the U.S. Dept. of Commerce first estimates of 1990:1, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, April 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy has avoided a recession and is on a solid, though slow path of expansion.

Prices

Inflation will hover around 3.5-4% in the next few years--uncomfortable and still far from the Fed's zero inflation intent.

Employment & Labor

Unemployment fell in March to a s.a.s. rate of 5.2%, while only 26 thousand new jobs have been created.

Housing

The outlook this year for single-family housing is bright and is expected to increase aroung 15% compared to 1989.

Automobiles

Significant improvements in U.S. passenger car markets and light-duty vehicles are forecasted for 1991.

Budgets

Compared to Administration forecast of $63.1 bil. federal deficit for FY91, KEDI's outlook is a bit more pessimistic.

Income

Forecast data for Personal Income, Personal Disposable Income and their components indicate an upward trend this year.

Money & Credit

KEDI anticipates that Federal Reserve monetary and credit policy will stay neutral for the rest of this year.

Interest Rates, Yields & Securities Prices

Compared to the March forecast, data for interest rates in the second half of this year have been increased somewhat.

0.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase slightly as compared to 1989. It will continue increasing in the 1990-1991 period.	July 1989
2.	Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in 1991.	September 1989
3.	In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.3%; France 2.2%; Japan 3.3%; Canada 3.0%	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the April 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to to recession or major downturn.	January 1987
*	In 1990 interest rates will be declining slightly.	June 1989
*	Federal budget deficits will keep declining in in 1990 and the following years.	January 1987
*	The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4143.6	4605.7	4734.6	4881.4
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	141.8	158.3	163.5	169.0
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.3	83.8	83.7
utiliz., p. 5	% change	.6	.2	-.6	-.2
Unemployment	%	5.2	5.2	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.8	1.8	1.8
starts, p. 5	% change	-5.8	4.1	-1.5	3.8
Car sales,	mil.units	10.1	11.1	11.4	11.8
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.6	149.6	155.0	160.1
price def.,p.11	% change	4.4	3.4	3.6	3.3
Consumer Price	1967=100	124.0	148.0	153.0	158.2
Index, p. 11	% change	4.7	3.5	3.4	3.4
Prod.Price Index	1967=100	113.5	136.0	142.1	147.6
(fin.goods),p.11	% change	5.1	4.3	4.5	3.9
Federal Deficit	bil. $	-145.7	-42.4	-33.7	-27.4
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4436.5	6154.5	6579.2	7092.3
p. 23	% change	9.0	7.6	6.9	7.8
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	922.4	977.7	1037.3
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2404.4	2570.3	2757.9
p. 7	% change	5.5	7.8	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 4.61%	Private Housing Starts
+ .70%	Index Indust. Prod.
+ .12%	Capacity Util.
+ .08%	GNP
- .05%	Unemployment
- .49%	Autos

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

THE ECONOMY HAS AVOIDED A RECESSION AND IS ON A SOLID, THOUGH SLOW PATH OF EXPANSION.

Recent data underscore the expected moderate growth of the economy this year:
In March, industrial production shot up by .7% but almost entirely due to the weather-related increase in utility output and a surge in car manufacturing. Elsewhere production increase only marginally.

In February, business inventories shrank .4% while sales jumped 1.3%. Unfilled orders fell slightly to $512.8 bil. from January $515.3 bil.

Spending for construction rose in February by 2.6% to a seasonally adjusted $425.3 bil.

The Purchasing Managers' Index for March gained .5% to 48.8% indicating a firming activity in the manufacturing segment.

New manufacturers orders increased in February to a seasonally adjusted $231.6 bil. from a revised $227.6 bil. in January.

The latest survey of the U.S. Dept. of Commerce has shown that U. S. Businesses plan to increase capital spending by 7.8% this year, compared to the Fall 1989 survey that has shown the 6.4% increase. Taking into account the above developments, plus the April unemployment rate of 5.2%, rebound of car manufacturers, positive trend in foreign trade, and good performance in single-family housing, results in an optimistic outlook.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GNP	Index of ind. prod.	Unem- ploy ment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$82 bil.	1977=100	%	%	mil.	mil.
Year & Qtr.						
1989*	4143.6	141.8	5.29	84.0	1.407	10.1
1990:1	4180.6	143.0	5.28	83.4	1.584	9.9
2	4219.0	144.0	5.34	83.6	1.549	9.9
3	4250.1	145.0	5.28	83.8	1.601	10.3
4	4289.4	146.8	5.29	83.6	1.542	10.5
YEAR	4234.8	144.7	5.30	83.6	1.6	10.2
% change from '89	2.2	2.0	.1	-.5	11.5	.5
1991:1	4319.3	147.6	5.26	83.9	1.605	10.6
2	4347.2	148.3	5.24	83.8	1.701	10.9
3	4376.9	149.3	5.20	83.6	1.787	11.0
4	4398.1	151.7	5.24	84.0	1.747	10.8
YEAR	4360.4	149.2	5.24	83.8	1.710	10.8
% change from '90	3.0	3.1	-1.2	.3	9.0	6.7
1992:1	4437.2	152.5	5.24	83.9	1.686	10.2
2	4464.6	153.6	5.26	84.0	1.746	10.5
3	4502.9	155.4	5.20	84.2	1.811	11.3
4	4533.6	156.1	5.22	84.6	1.708	10.9
YEAR	4484.6	154.4	5.23	84.2	1.738	10.7
% change from '91	2.8	3.5	-.1	.4	1.6	-.9

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 4.77%	Pers. Con. Expend. Services
+ .41%	Retail Sales Nondurable
- .20%	Retail Sales Total
- 1.20%	Retail Sales Druable
- 3.08%	Pers. Con Expend. Nondurable
- 4.84%	Pers. Con. Expend. Durable

DESPITE RELATIVELY WEAK EASTER SALES, RETAIL SALES THIS YEAR ARE PERFORMING WELL AND FORECAST DATA FOR THE BALANCE OF THIS YEAR POINT TO CONTINUOUS IMPROVEMENTS.

Data in the durable segments point to fairly strong upward trends in sales of home-related items: building materials, fixtures, household electronics and other household durables. On the contrary, sales of motor vehicles and parts are expected to remain sluggish.

Moderate increases, on average, are predicted for most nondurables with the fastest growing segment expected in specialty stores, while food stores and gas stations retail sales will continue increasing at moderate pace.

Sales of apparel and textile-related items are expected to remain essentially flat for the first half of this year. They will pick up somewhat in the second half.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	476.8	1122.7	1776.1	1718.1	656.7	1062.1
1990:1	470.0	1081.2	1857.6	1802.3	682.3	1120.0
2	482.7	1155.8	2103.2	1835.1	690.2	1144.9
3	491.9	1200.4	2140.3	1852.5	700.4	1152.1
4	505.2	1219.3	2264.5	1920.4	706.5	1213.9
YEAR	487.4	1164.2	2091.4	1852.6	694.9	1157.7
% change from '89	2.2	3.7	17.8	7.8	5.8	9.0
1991:1	527.3	1254.8	2256.0	1958.5	730.1	1228.4
2	540.4	1279.4	2274.7	2001.2	744.2	1257.0
3	561.5	1299.3	2287.6	2030.5	763.3	1267.2
4	590.7	1324.5	2276.3	2061.3	800.1	1261.2
YEAR	555.0	1289.5	2273.7	2012.9	759.4	1253.5
% change from '90	13.9	10.8	8.7	8.7	9.3	8.3
1992:1	601.4	1348.7	2359.7	2150.8	819.5	1331.3
2	608.5	1372.6	2399.3	2209.6	827.6	1382.0
3	626.3	1394.8	2475.4	2265.3	843.2	1422.1
4	631.5	1419.6	2542.8	2295.9	860.9	1435.0
YEAR	616.9	1383.9	2444.3	2230.4	837.8	1392.6
% change from '91	11.2	7.3	7.5	10.8	10.3	11.1

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change from March 1990 Forecast

+ .26%	Net Exports
+ .13%	Pers. Cons. Expend.
+ .08%	GNP
+ .01%	State Local Purch.
0.00%	Federal Govt. Purch.
- .04%	Gross Private Dom. Inv.

FORECAST DATA OF GNP AND COMPONENTS FOR THE FIRST QUARTER OF THIS YEAR ARE KEDI'S ESTIMATES SINCE THE FIRST U. S. DEPARTMENT OF COMMERCE ESTIMATE OF 1990:1 WILL BE RELEASTED AFTER THE CLOSING DATE OF THIS ISSUE.

KEDI's 1990:1 GNP data call for approximately 2.0% annual rate of growth of GNP, seasonally adjusted, due mainly to the following factors:

* a significant, further improvement in foreign trade
* a record performance of housing starts in the first two months of this year
* moderate, but steady gains in consumer spending
* resumption of the upward trend in car sales in the January-March period

That adds up to a relatively good performance that in no way can be labeled recessionary. It points to a moderate growth of the economy throughout the year.

Solid gains in business capital spending, improving balance of trade, and strong consumer spending are viewed here as the main factors propelling the economy throughout this year.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross National Product					
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4143.6	2670.3	720.5	-52.9	337.2	468.7
1990:1	4180.6	2683.6	730.4	-50.6	340.2	477.0
2	4219.0	2710.5	734.7	-49.2	345.1	477.9
3	4250.1	2729.9	740.2	-47.2	348.1	479.1
4	4289.4	2752.6	744.0	-43.5	352.6	483.7
YEAR	4234.8	2719.1	737.3	-47.6	346.5	479.4
% change from '89	2.2	1.8	2.3	-10.0	2.8	2.3
1991:1	4319.3	2767.0	748.2	-40.1	354.4	489.8
2	4347.2	2792.7	750.5	-42.3	356.2	490.1
3	4376.9	2806.9	753.2	-38.6	360.4	495.0
4	4398.1	2812.4	755.8	-32.4	363.5	498.8
YEAR	4360.4	2794.8	751.9	-38.4	358.6	493.4
% change from '90	3.0	2.8	2.0	-19.5	3.5	2.9
1992:1	4437.2	2845.5	756.9	-30.5	370.2	495.1
2	4464.6	2863.2	758.4	-28.7	372.4	499.3
3	4502.9	2886.4	762.2	-26.4	374.1	506.6
4	4533.6	2904.1	765.5	-23.1	377.2	509.9
YEAR	4484.6	2874.8	760.8	-27.2	373.5	502.7
% change from '91	2.8	2.9	1.2	-29.1	4.1	1.9

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 1.76%	Producer Price Index
+ 1.33%	Pers. Cons. Expend.
+ .84%	GNP
+ .62%	Consumer Price Index
0.00%	State Local Purch.
- .14%	Federal Govt. Purch.

DATA POINT TO THE RATE OF INFLATION HOVERING AROUND 3.5-4% IN THE NEXT FEW YEARS--NOT TOO COMFORTABLE AND STILL FAR FROM THE FEDERAL RESERVE ZERO INFLATION INTENT.

The CPI .5% increase in March--the same as February--is considered temporary. It is not expected to continue at that pace in coming months because much of the hike has stemmed from the December cold wave that pushed up prices of energy and food. In coming months it is expected that the energy and food price hikes will abate.

The return to a more tolerable rate of inflation has already been signalled in producer prices. Compared to February, the March PPI recorded a .2% drop. Exclusing food and energy, PPI prices rose a modest .3%, energy slid 2.4% following a 5% plunge in February. Food prices slipped .6% last month.

A good indication of the future price movements are the PPI intermediate goods prices which have shown no change in March after falling .7% in February, and prices for crude goods that tumbled 1.4% after growing .4% in February.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--*		*-------Price deflators--------*			
	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.5	126.6	128.3	119.5	134.8
1990:1	122.5	117.5	126.3	129.9	122.1	137.5
2	128.9	118.9	131.8	138.0	123.0	138.9
3	131.3	120.4	133.6	140.4	123.9	141.1
4	134.3	121.9	136.7	144.9	124.3	142.9
YEAR	129.2	119.7	132.1	138.3	123.3	140.1
% change from '89	4.2	5.4	4.3	7.8	3.2	3.9
1991:1	135.5	123.1	137.4	145.9	125.4	143.1
2	136.6	124.6	138.2	146.6	126.2	144.0
3	137.8	125.9	139.3	147.8	128.0	146.2
4	138.2	127.7	140.3	149.0	129.1	148.1
YEAR	137.0	125.3	138.8	147.3	127.2	145.3
% change from '90	6.0	4.7	5.1	6.5	3.1	3.7
1992:1	140.3	128.5	142.2	151.5	130.1	150.1
2	141.2	129.8	143.7	153.0	132.0	152.6
3	143.6	131.0	145.6	155.8	132.7	153.3
4	146.9	132.2	147.3	158.2	134.0	154.3
YEAR	143.0	130.4	144.7	154.6	132.2	152.6
% change from '91	4.4	4.0	4.3	4.9	4.0	5.0

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*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

DATA OF NOMINAL GNP AND COMPONENTS FOR THE FIRST QUARTER OF THIS YEAR ARE KEDI'S ESTIMATES SINCE THE OFFICIAL DEPARTMENT OF COMMERCE FIRST ESTIMATE WILL BE RELEASED AT THE END OF THIS MONTH, DELAYED FROM THE USUAL 20TH OF THE MONTH REPORT.

Based on data already published for segments of GNP, notably retail sales, housing, construction, January and February foreign trade, car sales, and others, the first quarter GNP look quite satisfactory: the KEDI figure is 7.8% seasonally adjusted annual rate, which certainly does not indicate any downturn or recessionary development.

Main contributors to this outcome are the steady, though moderate, growth of consumer expenditures; strong, though temporary, residential housing, and a significantly improving balance of trade.

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 1.54%	Net Exports
+ 1.42%	Pers. Cons. Expend.
+ .93%	GNP
+ .05%	Grosss Private Dom. Inv.
+ .02%	State Local Purch.
- .15%	Federal Govt. Purch.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross National Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5233.4	3372.6	773.3	-47.7	402.1	633.9
1990:1	5280.1	3485.5	771.1	-47.8	415.4	655.9
2	5560.6	3741.7	776.5	-45.8	424.5	663.8
3	5678.1	3832.6	781.3	-43.1	431.3	676.0
4	5863.6	3989.0	786.3	-41.2	438.3	691.2
YEAR	5595.6	3762.2	778.8	-44.5	427.4	671.7
% change from '89	6.9	11.6	.7	-6.8	6.3	6.0
1991:1	5934.7	4038.1	791.4	-40.1	444.4	700.9
2	6007.8	4094.5	795.3	-37.2	449.5	705.7
3	6097.0	4148.4	800.1	-36.5	461.3	723.7
4	6170.5	4191.5	804.2	-33.2	469.3	738.7
YEAR	6052.5	4118.1	797.8	-36.8	456.1	717.3
% change from '90	8.2	9.5	2.4	-17.4	6.7	6.8
1992:1	6309.7	4309.8	807.4	-32.3	481.6	743.1
2	6415.6	4380.4	810.3	-28.6	491.6	761.9
3	6556.2	4496.5	813.1	-26.4	496.4	776.6
4	6678.0	4593.9	815.6	-23.7	505.4	786.8
YEAR	6489.9	4445.1	811.6	-27.8	493.8	767.1
% change from '91	7.2	7.9	1.7	-24.5	8.3	7.0

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

0.00%	Population
0.00%	Agriculture
- .05%	Unemployment
- .47%	Civilian Labor Force
- .53&	Total Employed
- .05%	Non Agriculture

IN MARCH, THE UNEMPLOYMENT RATE FELL TO A SEASONALLY ADJUSTED 5.2% FROM 5.3% THE PRECEDING MONTH, WHILE ONLY 26 THOUSAND NEW JOBS HAVE BEEN CREATED.

Such a tiny growth in the number of new jobs does not cause great concern so far because of unusually high numbers of new jobs in January and February-- 320 thousand created in these two months.

Forecast for this and the following year is optimistic: data call for a continuous strong creation of new jobs keeping the unemployment rate at around 5.2-5.3% levels.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Nonagric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	249.8	122.7	115.2	3.2	113.6	5.29
1990:1	259.4	125.6	119.0	3.2	115.8	5.28
2	260.3	126.1	119.4	3.2	116.2	5.34
3	262.2	127.3	120.6	3.2	117.4	5.28
4	262.9	128.2	121.4	3.2	118.2	5.29
YEAR	261.2	126.8	120.2	3.2	117.0	5.30
% change from '89	4.6	3.3	3.2	0.0	3.0	.14
1991:1	263.4	129.0	122.2	3.2	119.0	5.26
2	264.5	130.1	123.3	3.2	120.1	5.24
3	265.1	131.0	124.2	3.2	121.0	5.20
4	266.4	131.9	125.0	3.2	121.8	5.24
YEAR	264.9	130.5	123.7	3.2	120.5	5.24
% change from '90	1.4	2.9	3.0	0.0	3.0	-1.18
1992:1	267.3	132.7	125.7	3.2	122.5	5.24
2	268.4	133.2	126.2	3.2	123.0	5.26
3	269.2	134.5	127.5	3.2	124.3	5.20
4	269.2	135.0	128.0	3.2	124.8	5.22
YEAR	268.5	133.8	126.8	3.2	123.6	5.23
% change from '91	1.4	2.6	2.6	0.0	2.6	-.10

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 1.83%	Single Family Housing Starts
+ 1.13%	Multiple Family Housing Starts
+ .02%	1-Family unit price new
0.00%	Mobile Home Shipments
0.00%	1-Family unit price existing
- 2.95%	Permits Issued

THE OUTLOOK THIS YEAR FOR SINGLE-FAMILY HOUSING IS BRIGHT AND IS EXPECTED TO INCREASE BY AROUND 15% COMPARED TO 1989.

Apartments are expected to be far less successful. Forecast data for this year call for further decline compared to a weak last year.

In March, housing production slowed with 1,321 mil. starts at annual rate, a 9.3% drop from February. This is not an alarming decline because of extremely high housing starts sin January which jumped by 23.2% to an annual rate of 1.57 mil. units, and slipped slightly to 1.46 mil. units February--still well above the level of the last 11 months of 1989.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1989*	1.015	.393	.207	1.314	149.0	119.2
1990:1	1.361	.223	.198	1.292	155.5	124.6
2	1.251	.298	.211	1.371	157.0	127.3
3	1.233	.368	.231	1.490	163.9	129.2
4	1.177	.365	.220	1.465	164.5	130.5
YEAR	1.256	.314	.215	1.405	160.2	127.9
% change from '89	23.7	-20.2	3.9	6.9	7.5	7.3
1991:1	1.190	.415	.219	1.504	168.4	134.0
2	1.263	.438	.238	1.571	170.8	135.6
3	1.367	.420	.242	1.603	175.0	138.7
4	1.340	.407	.229	1.600	177.2	140.1
YEAR	1.290	.420	.232	1.570	172.8	137.1
% change from '90	2.7	34.0	7.9	11.7	7.9	7.2
1992:1	1.265	.421	.224	1.572	180.3	143.2
2	1.307	.439	.246	1.643	184.5	145.8
3	1.354	.457	.249	1.671	187.2	148.1
4	1.301	.407	.230	1.628	190.3	152.3
YEAR	1.307	.431	.237	1.629	185.6	147.3
% change from '91	1.3	2.6	2.3	3.8	7.4	7.5

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ .83%	Imported Car Sales
0.00%	Dealer Inventory
- .49%	Total Car Sales
- 1.04%	Domestic Car Sales
- 1.16%	Total Light Truck Sales
- 1.197%	Shipments

SIGNIFICANT IMPROVEMENTS IN THE U.S. PASSENGER CAR MARKETS AND MARKETS FOR LIGHT-DUTY VEHICLES ARE FORECASTED FOR 1991.

Forecast of the market for cars remains unchanged: this year the market is expected to remain weak with car sales slightly above the last year's level, and a stronger performance in 1991.

While the recent pick-up in auto production is good news for the industry, it indicates only a return to more normal levels of output after a severe campaign to reduce inventories earlier this winter.

Forecast data on Table 1.41 on the following page point to a general weakness of the automotive segment throughout this year; sales will continue to be slow without any significant drop that would signal a return to troubles experienced in the last quarter of 1989.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	10.1	7.1	2.9	1.7	7.3	4.2
1990:1	9.9	6.9	3.0	1.6	7.0	3.9
2	9.9	7.0	2.9	1.6	7.5	4.0
3	10.3	7.2	3.1	1.8	7.8	4.6
4	10.5	7.4	3.1	1.7	7.5	4.5
YEAR	10.2	7.1	3.0	1.7	7.5	4.2
% change from '89	.5	.4	4.3	0.0	2.1	1.2
1991:1	10.6	7.5	3.1	1.8	7.5	4.4
2	10.9	7.8	3.1	1.7	7.6	4.7
3	11.0	7.8	3.2	1.7	7.9	4.7
4	10.8	7.8	3.0	1.8	7.8	4.8
YEAR	10.8	7.7	3.1	1.8	7.7	4.7
% change from '90	6.7	4.2	2.5	5.9	3.4	9.4
1992:1	10.2	7.1	3.1	1.7	7.8	4.6
2	10.5	7.3	3.2	1.8	7.8	4.8
3	11.3	8.2	3.1	1.8	8.0	4.9
4	10.9	7.7	3.2	1.9	7.7	4.6
YEAR	10.7	7.6	3.2	1.8	7.8	4.7
% change from '91	-.9	-2.5	1.6	0.0	1.6	1.6

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*Historical data. R = Revised. P = Preliminary.

**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

COMPARED TO THE ADMINISTRATIONS' FORECAST OF $63.1 BIL. FEDERAL DEFICIT IN FISCAL YEAR 1991 (STARTING OCT. 1 THIS YEAR), KEDI OUTLOOK IS A BIT MORE PESSIMISTIC.

Forecast calls for $75 bil. deficit, in contrast to $64 bil envisioned by the Gramm-Rudman-Hollings Act. However, KEDI's forecast is significantly more optimistic than the original forecast of the Congressional Budget Office of $138 bil for FY 1991 (later on the CBO reduced that figure somewhat) and forecasts of many economists and panelists that range between $90-100 bil. KEDI forecast of the deficit assumes $10 bil. cut in defense expenditures and extra, near-tax receipts of $8 bil. When comparing the underlying assumptions of deficit forecasts of the CBO and KEDI's deficit forecasts, the main difference stems in differing data on the central indicators of future economic expansion:

		Admin.	CBO	KEDI
GNP growth	1990	2.6%	1.7%	2.4%
	1991	3.3%	2.4%	3.2%
GNP deflat.	1990	4.1%	4.0%	4.1%
	1990	4.2%	4.0%	4.1%
Treasury	1990	6.7%	6.9%	7.1%
Bills (3 mo.)	1991	5.4%	7.2%	7.3%

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 3.39%	Federal Surplus Deficit
- .15%	Federal Income Tax
- .16%	State Income Tax
- 1.85%	State Surplus Deficit
- 1.97%	State Local Corp. Tax Accrued
- 1.70%	Corporate Profit Tax Accrued

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

	FEDERAL			STATE AND LOCAL		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	460.4	105.1	-148.5	188.1	27.9	49.0
1990:1	482.3	104.1	-130.2	201.1	30.1	51.0
2	488.6	108.2	-125.4	203.4	30.6	52.1
3	500.1	113.5	-106.1	207.8	31.6	54.1
4	509.2	120.5	-92.4	208.4	32.0	55.2
YEAR	495.1	111.6	-113.5	205.2	31.1	53.1
% change from '89	7.5	6.2	-23.6	9.1	11.4	8.4
1991:1	520.4	123.0	-78.9	209.4	33.0	56.5
2	524.3	125.7	-73.5	213.6	34.2	58.7
3	532.7	130.8	-65.5	220.8	35.3	60.2
4	540.6	133.2	-59.2	226.4	37.1	61.4
YEAR	529.5	128.2	-69.3	217.6	34.9	59.2
% change from '90	7.0	14.9	-39.0	6.0	12.3	11.5
1992:1	548.1	137.6	-58.5	228.5	38.6	62.0
2	559.3	140.9	-53.2	231.1	40.1	63.6
3	567.0	147.1	-49.6	238.5	41.5	64.8
4	576.2	150.2	-45.2	247.8	42.7	65.3
YEAR	562.6	143.9	-51.6	236.5	40.7	63.9
% change from '91	6.3	12.3	-25.5	8.7	16.7	8.0

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 2.92%	Personal Disp. Income
+ 2.46%	Personal Income
+ .12%	Average Weekly Earnings
0.00%	Comp. of Employees
0.00%	Personal Savings
- .54%	Corporate After Tax Profit

FORECAST DATA FOR PERSONAL INCOME, PERSONAL DISPOSABLE INCOME AND THEIR COMPONENTS INDICATE A REGULAR AND MODERATE UPWARD TREND THIS YEAR, ACCELERATING IN 1991 WITHOUT ANY SIGNS OF DISTURBANCES.

Though the forecast of corporate profits this year is not too encouraging, it does not point to major troubles, or recessionary trends in the corporate segment of the economy. The main reason is that currently, the corporate profits' role in the expansion of corporations is not as important as it was a decade ago. Corporate profits kept declining since the second quarter of last year but the general level of business activity has continued rising.

Currently, corporate after-tax profits are approximately (1989:4) 5.3%; at the peak of the expansion in 1984 they amounted to 7.3% of GNP, and in the 1982 recession, they reached the low of 4.5%.

KEDI's calculations show that corporate after-tax profits in order to indicate the possibility of a coming recession should drop below 3% of GNP at least.

TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4436.5	3782.1	3158.6	157.6	205.0	431.6
1990:1	4630.9	3945.6	3297.8	152.1	212.8	434.8
2	4646.7	3954.7	3376.4	157.0	213.0	442.3
3	4757.9	4050.0	3480.4	162.1	217.4	452.3
4	4925.8	4208.2	3534.6	170.9	219.2	458.8
YEAR	4740.3	4039.6	3422.3	160.5	215.6	447.1
% change from '89	6.8	6.8	8.3	1.9	5.2	3.6
1991:1	5200.1	4470.3	3650.2	170.4	219.0	462.2
2	5262.8	4524.9	3687.2	180.3	214.7	463.6
3	5346.3	4592.8	3731.3	186.2	224.8	464.3
4	5411.4	4644.4	3801.1	187.6	229.5	470.3
YEAR	5305.2	4558.1	3717.4	181.1	222.0	465.1
% change from '90	11.9	12.8	8.6	12.8	3.0	4.0
1992:1	5547.7	4771.1	3863.4	192.3	235.7	476.3
2	5641.6	4851.2	3927.5	197.2	240.6	480.5
3	5782.9	4977.4	3995.8	200.5	247.3	486.7
4	5907.0	5083.0	4061.2	206.9	252.6	492.1
YEAR	5719.8	4920.7	3962.0	199.2	244.1	483.9
% change from '91	7.8	8.0	6.6	10.0	9.9	4.0

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+	.29%	Time Deposits
+	.19%	Consumer & Demand Deposits
+	.16%	Consumer Install. Credit
+	.04%	Large Denom. Time Deposits
-	.27%	Mortg. at Savings Inst'ns
-	.31%	Comm. & Indust. Loans at Banks

KEDI ANTICIPATES THAT FEDERAL RESERVE MONETARY AND CREDIT POLICY WILL STAY NEUTRAL FOR THE REST OF THIS YEAR.

It is anticipated that the main factors having the most influence upon monetary policy over the next six months and in 1991 will be the inflation and the inflationary expectations. It is also anticipated that the Fed will be unable to run a restrictive enough policy to produce a significant deceleration of price increases. KEDI's forecast, therefore, does not include the zero inflation rate in its long-term outlook.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	564.3	584.9	3386.4
1990:1	796.7	3259.7	718.7	570.0	598.5	3422.4
2	810.7	3328.8	723.2	575.1	609.7	3480.7
3	816.5	3387.5	736.7	587.7	618.8	3551.2
4	824.7	3459.5	754.6	580.1	629.2	3570.1
YEAR	812.2	3358.9	754.6	580.1	629.2	3570.1
% change from '89	3.8	7.6	6.1	5.3	7.6	5.4
1991:1	835.6	3499.7	774.1	586.5	641.3	3598.4
2	839.7	3589.3	789.1	587.8	650.2	3619.4
3	848.5	3666.4	796.8	589.9	661.5	3669.2
4	854.2	3757.8	814.2	589.1	682.1	3719.6
YEAR	844.5	3628.3	814.2	589.1	682.1	3719.6
% change from '90	4.0	8.0	7.9	1.6	8.4	4.2
1992:1	864.6	3824.5	826.3	593.4	683.2	3798.2
2	872.3	3887.9	835.5	594.6	685.7	3902.6
3	878.9	3954.6	840.7	596.1	689.3	3998.7
4	884.6	4018.3	851.6	598.2	696.5	4105.8
YEAR	875.1	3921.3	851.6	598.2	696.5	4105.8
% change from '91	3.6	8.1	4.6	1.5	2.1	10.4

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990
FORECAST
DATA

Percent Change
from
March 1990
Forecast

+ 2.65%	20 Year Govt. Bond Yield
+ 1.74%	Conv. Mortg. Rate
+ 1.71%	Treas. Bills 2 mo. yield
+ .44%	Aaa Corp. Bonds
+ .10%	Prime Rate
- .36%	S & P's 500 Avg.

COMPARED TO THE MARCH FORECAST, DATA FOR INTEREST RATES IN THE SECOND HALF OF THIS YEAR HAVE BEEN INCREASED SOMEWHAT.

The new forecast shows the interest rates in the second half of this year almost flat compared to the present levels, and increasing slightly through 1991.

The recent rise in interest rates is viewed here as a temporary phenomenon rather than an enduring trend.

KEDI reiterates its assumption of no necessity for the Federal Reserve to raise interest rates in order to check the increases in rates that recently took place in West Germany, Japan, and some European countries:

* Currently, and in the near future, the U.S. economy is not as dependent on the in-flow of foreign capital as it was several years ago, and

* U.S. markets are, and will remain, attractive for foreign investors despite possible lower returns on invested capital.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.15	10.74	9.69	9.29	8.44	322.97
1990:1	7.83	10.00	9.76	9.17	8.03	350.16
2	7.74	10.00	9.47	9.37	8.66	354.12
3	7.68	10.00	9.14	9.65	8.04	357.19
4	7.67	10.00	8.99	9.85	8.16	355.24
YEAR	7.73	10.00	9.34	9.51	8.22	354.18
% change from '89	-5.2	-6.9	-3.6	2.4	-2.6	9.7
1991:1	7.44	9.96	9.06	9.88	7.91	358.64
2	7.55	10.00	9.21	9.98	8.03	364.96
3	7.56	10.00	9.34	10.01	8.14	367.58
4	7.60	10.04	9.62	10.06	7.60	373.21
YEAR	7.54	10.00	9.31	9.98	7.92	366.10
% change from '90	-2.5	0.0	-.3	5.0	-3.7	3.4
1992:1	7.70	10.14	9.65	10.04	7.89	379.16
2	7.85	10.25	9.89	10.12	8.08	385.24
3	8.04	10.50	10.02	10.31	8.02	389.71
4	8.16	10.75	10.46	10.25	8.14	383.56
YEAR	7.94	10.41	10.01	10.18	8.03	384.42
% change from '91	5.3	4.1	7.5	2.0	1.4	5.0

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue 3 month Treasury Bills Rate has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figure is in the Federal Reserve Bulletin, April 1989 issue, Table 1.35 (Board of Governors of the Federal Reserve System,, Washington, D.C., monthly).

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
3 months Treasury Bills Rate
(1989, % year average)
Actual figure: 8.12%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	6.9	-14.8
Prudential-Bache	12/88	6.5	-19.8
Merrill Lynch	12/88	6.6	-18.5
Blue Chip Indicators	12/88	7.2	-11.1
Chrysler Corporation	12/88	7.3	- 9.9
UCLA Forecasting Project	12/88	7.6	- 6.2
KEDI, Inc.	12/88	7.5	- 7.4

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

May 1990

Prepared by the staff of

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SOURCES:

The U. S. Department of Commerce, second estimates of 1990:1, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, May 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Forecast data point to moderate growth in the months ahead without recession or stagflation.

Prices

The wintertime jump in the inflation rate is wearing off and inflation is settling back to the prevailing moderate level.

Employment & Labor

In April, the unemployment rate rose to a seasonally adjusted 5.4% from 5.2% the preceding month.

Housing

Data point to housing starts this year slightly above last year's, and to an acceleration in housing activity in 1991.

Automobiles

In 1990:1, automakers have reduced inventories of cars from more than 90 days to 60 days supply.

Budgets

KEDI forecast data point to a $60 bil. cut in the proposed Federal budget for fiscal year 1991 starting October 1, 1990.

Income

Forecast data for the rest of this year and afterward point to a regular and steady growth in personal income.

Money & Credit

Forecast of U.S. money and credit markets for this year and next remains barely changed from the previous issue of this survey.

Interest Rates, Yields & Securities Prices

The Federal Reserve is not expected to change interest rates in a hurry but may start easing a bit later this year.

0.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase slightly as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2.	Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in 1991.	March 1990
3.	In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.3%; France 2.2%; Japan 3.3%; Canada 3.0%	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the May 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to to recession or major downturn.	January 1987
*	In the second half of 1990 interest rates will be declining slightly.	April 1990
*	Federal budget deficits will keep declining in in 1990 and the following years.	January 1987
*	The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4143.6	4605.8	4734.8	4881.6
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	141.8	158.2	163.4	169.0
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.3	83.8	83.7
utiliz., p. 5	% change	.6	.2	-.6	-.2
Unemployment	%	5.2	5.2	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.8	1.8	1.8
starts, p. 5	% change	-5.8	4.1	-1.5	3.8
Car sales,	mil.units	10.1	11.1	11.4	11.8
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.6	149.9	155.3	160.5
price def.,p.11	% change	4.4	3.4	3.6	3.3
Consumer Price	1967=100	124.0	147.2	152.2	157.4
Index, p. 11	% change	4.7	3.5	3.4	3.4
Prod.Price Index	1967=100	113.5	135.5	141.6	147.1
(fin.goods),p.11	% change	5.1	4.3	4.5	3.9
Federal Deficit	bil. $	-145.7	-42.4	-33.7	-27.4
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4436.5	6206.1	6634.3	7151.8
p. 23	% change	9.0	7.6	6.9	7.8
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	922.4	977.7	1037.3
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2404.4	2570.3	2757.9
p. 7	% change	5.5	7.8	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

FORECAST DATA POINT TO MODERATE GROWTH IN THE MONTHS AHEAD WITHOUT RECESSION OR STAGFLATION.

Recent data that indicate the developments in months ahead show that the economy will continue its moderate growth:

* The trade deficit shrank in 1990:1 to $26.4 bil., the smallest quarterly imbalance in 6 years.
* The second revision of economic growth in 1990:1 is at 1.3% rate, slightly higher than 1.1% in 1989:4.
* Unemployment rate inched up a bit in April with signs of further increases.
& The Index of Industrial Production dropped by .4% in April due to a decline in the output of motor vehicles and parts--a temporary decline that has not affected related industries.
* Orders for durables declined in April, after showing healthy increases in February and March.
* Consumer spending in the first quarter of this year increased a robust 2.4%.
* Data on housing indicate weakness but not a recession
* Indexes of leading indicators and purchasing managers for April have advanced compared to the March figures.

1990 FORECAST DATA

Percent Change from April 1990 Forecast

+ .06%	GNP
- .12%	Capacity Util.
- .19%	Unemployment
- 1.21%	Index Indust. Prod.
- 1.72%	Autos
- 8.70%	Private Housing Starts

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1977=100	Unem-ployment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1989*	4143.6	141.5	5.29	84.0	1.376 R	9.9 R
1990:1	4188.0	141.7	5.21	83.2	1.451	9.7
2	4219.9	142.3	5.38	83.4	1.349	9.8
3	4250.8	143.0	5.28	83.8	1.501	10.1
4	4289.9	144.8	5.29	83.6	1.542	10.5
YEAR	4237.1	142.9	5.29	83.5	1.5	10.0
% change from '89	2.3	1.0	0.0	-.6	6.2	1.3
1991:1	4319.3	146.1	5.28	83.9	1.495	10.6
2	4342.0	147.3	5.24	83.8	1.661	10.9
3	4376.9	149.0	5.20	83.6	1.787	11.0
4	4398.1	151.2	5.24	84.0	1.747	10.8
YEAR	4359.1	148.4	5.24	83.8	1.672	10.8
% change from '90	2.9	3.8	-.9	.4	14.5	8.0
1992:1	4437.8	152.4	5.24	83.9	1.686	10.2
2	4464.6	153.5	5.26	84.0	1.746	10.5
3	4502.9	155.3	5.20	84.2	1.811	11.3
4	4533.6	156.1	5.22	84.6	1.708	10.9
YEAR	4484.7	154.3	5.23	84.2	1.738	10.7
% change from '91	2.9	4.0	-.2	.4	3.9	-.9

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ 2.15%	Pers. Con. Expend. Nondurable
+ .35%	Pers. Con. Expend. Durable
+ .11%	Retail Sales Nondurable
+ .07%	Retail Sales Total
- .01%	Retail Sales Durable
- 3.67%	Pers. Expend. Services

IN APRIL, TOTAL CONSUMER SPENDING ROSE BY .6% AFTER .5% IN MARCH AND .5% IN FEBRUARY.

Retail sales fell by .6% in April to a seasonally adjusted $148.64 bil. due to lagging auto sales which dropped 2.6%. Department store sales are off by .7%, and sales at gasoline stations off by 1%.

The April data are not disturbing, and do not indicate that consumers are fading from the scene:

* The monthly average of retail sales in the first quarter of this year is at record level of $149.6 bil., far above the 1989:4 monthly average of $145.7 bil. A small decline in April leaves the monthly average still far above the averages of any month last year.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	476.8	1122.7	1776.1	1718.1	656.7	1062.1
1990:1	476.6	1091.3	1867.5	1805.4	682.3	1123.1
2	482.7	1175.8	2024.2	1837.1	690.2	1146.9
3	491.9	1230.2	2067.9	1852.5	700.4	1152.1
4	505.2	1259.6	2099.1	1920.4	706.5	1213.9
YEAR	489.1	1189.2	2014.7	1853.8	694.9	1159.0
% change from '89	2.6	5.9	13.4	7.9	5.8	9.1
1991:1	527.3	1284.8	2135.8	1958.5	730.1	1228.4
2	540.4	1299.4	2192.4	2001.2	744.2	1257.0
3	561.5	1319.3	2280.4	2030.5	763.3	1267.2
4	590.7	1384.5	2258.1	2061.3	800.1	1261.2
YEAR	555.0	1322.0	2216.7	2012.9	759.4	1253.5
% change from '90	13.5	11.2	10.0	8.6	9.3	8.1
1992:1	601.4	1428.7	2298.0	2150.8	819.5	1331.3
2	608.5	1462.3	2323.5	2209.6	827.6	1382.0
3	626.3	1494.8	2362.7	2265.3	843.2	1422.1
4	631.5	1509.6	2452.8	2295.9	860.9	1435.0
YEAR	616.9	1473.8	2359.2	2230.4	837.8	1392.6
% change from '91	11.2	11.5	6.4	10.8	10.3	11.1

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ .54%	Pers. Cons. Expend.
+ .06%	GNP
- .03%	State Local Purch.
- .40%	Federal Govt. Purch.
- 2.65%	Gross Private Dom. Inv.
-18.43%	Net Exports

DATA ON GROWTH OF NON-CAR INVENTORIES SHOW THAT IN 1990:1 BUSINESSES KEPT INVENTORIES AT RELATIVELY LOW LEVELS.

That indicates the economy will get a lift in this and the following quarters from new stockpiling as factories step up production.

In the second estimate of 1990:1, the rate of growth of the economy has been reduced to 1.3% from the first estimate of 2.1%. The downward revision was due mainly to the Department of Commerce overestimate of inventories of unsold cars which were reduced sharply during the first quarter.

Other good features in the composition of the first quarter 1990 GNP are the consumer expenditures which rose by 2.4% from 1989:4, and the decline of negative net exports to the record low of -$40.4 bil.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

	*-----------Gross	National	Product	-----------	----------	----------*
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4143.6	2670.3	720.5	-52.9	337.2	468.7
1990:1	4188.0	2709.7	702.0	-40.4	339.7	477.0
2	4219.9	2726.2	714.7	-41.2	343.0	477.2
3	4250.8	2733.4	730.4	-39.2	347.1	479.1
4	4289.9	2766.1	724.0	-34.5	350.6	483.7
YEAR	4237.1	2733.8	717.8	-38.8	345.1	479.2
% change from '89	2.3	2.4	-.4	-26.6	2.3	2.3
1991:1	4319.3	2777.0	728.2	-30.1	354.4	489.8
2	4342.0	2789.7	738.5	-32.5	356.2	490.1
3	4376.9	2808.9	743.2	-30.6	360.4	495.0
4	4398.1	2818.4	745.8	-28.4	363.5	498.8
YEAR	4359.1	2798.5	738.9	-30.4	358.6	493.4
% change from '90	2.9	2.4	2.9	-21.7	3.9	3.0
1992:1	4437.8	2846.1	750.9	-24.5	370.2	495.1
2	4464.6	2860.1	753.4	-20.6	372.4	499.3
3	4502.9	2882.4	760.2	-20.4	374.1	506.6
4	4533.6	2904.1	765.5	-23.1	377.2	509.9
YEAR	4484.7	2873.2	757.5	-22.1	373.5	502.7
% change from '91	2.9	2.7	2.5	-27.1	4.1	1.9

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ 1.25%	State Local Purch.
+ .85%	Federal Govt. Purch.
- .14%	Consumer Price Index
- .21%	GNP
- .65%	Producer Price Index
- 1.66%	Pers. Cons. Expend.

THE WINTERTIME JUMP IN THE INFLATION RATE IS WEARING OFF AND INFLATION IS SETTLING BACK TO THE MODERATE LEVEL THAT HAS PREVAILED OVER THE LAST TWO YEARS.

The Producer Price Index, a harbinger of inflation at the consumer level has been falling since January, and April's drop was the biggest. What is also important is that the core of the Producer Price Index (i.e., the PPI of finished goods, excluding food and energy), has been rising by steadily smaller amounts since February: .4% in February, .3% in March, and .2% in April.

The other indicators of the producer price level also point to positive developments for months ahead. In April, the index for intermediate goods rose a modest .1%, and the index for crude materials fell by .3%.

KEDI forecast data of moderate inflation for the rest of this year and in 1991 are based on the following expected developments:
* A continuous rally of stock and bond prices.
* Prices of oil will be rising only moderately.
* Prices of commodities will remain stable.
* Prices in housing and real estate will remain weak.
* Record or near-record harvests in major grain producing countries are expected.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.5	126.6	128.3	119.5	134.8
1990:1	122.6 R	117.5	129.7	129.7	123.3	139.9
2	128.4	118.1	130.8	135.4	123.9	140.9
3	131.1	119.4	132.8	139.0	124.9	142.7
4	134.0	120.7	134.0	139.9	125.3	143.9
YEAR	129.0	118.9	131.8	136.0	124.3	141.8
% change from '89	4.1	4.8	4.1	6.0	4.1	5.2
1991:1	135.1	122.1	135.8	142.6	126.4	145.1
2	136.0	124.0	137.4	145.0	127.2	146.0
3	136.7	125.1	139.9	148.4	128.0	147.5
4	137.4	126.7	141.6	150.5	129.9	149.4
YEAR	136.3	124.5	138.7	146.6	127.9	147.0
% change from '90	5.6	4.7	5.2	7.8	2.8	3.6
1992:1	138.7	127.5	142.9	152.3	131.1	150.9
2	140.1	129.2	144.2	153.8	132.8	152.9
3	143.1	130.8	145.6	155.9	133.7	154.3
4	146.9	132.2	147.3	158.2	134.0	154.3
YEAR	142.2	129.9	145.0	155.0	132.9	153.1
% change from '91	4.3	4.4	4.6	5.7	3.9	4.1

*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ 1.09%	State Local Purch.
+ .39%	Federal Govt. Purch.
- .17%	GNP
- .49%	Pers. Cons. Expend.
- 1.15%	Gross Private Dom. Inv.
-20.06%	Net Exports

FORECAST OF FOREIGN TRADE IS OPTIMISTIC IN THAT EXPORTS ARE EXPECTED TO GROW FASTER THAN IMPORTS IN EACH OF THE THREE REMAINING QUARTERS OF THIS YEAR.

The second estimate of the current GNP in the first quarter of this year, though lower when compared to the first estimate, has retained those positive signs already shown in the first estimate:

- strong consumer demand
- fairly good business investment and housing
- Record low of trade deficit

Forecast data for the second quarter and the rest of this year show that the composition of GNP will remain essentially unchanged:

- continuous strong consumer demand
- moderately increasing business investment
- weak but not recessionary housing
- continuing declines in trade deficits
- moderate gains in inventories build-up

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross National Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5233.4	3372.6	773.3	-47.7	402.1	633.9
1990:1	5431.4	3639.0	751.1	-40.8	418.4	663.7
2	5519.6	3682.7	776.5	-36.9	425.0	672.4
3	5645.1	3790.0	771.3	-33.4	433.5	683.7
4	5748.5	3863.9	780.4	-31.2	439.3	696.0
YEAR	5586.1	3743.9	769.8	-35.6	429.1	678.9
% change from '89	6.7	11.0	-.4	-25.4	6.7	7.1
1991:1	5865.6	3947.9	787.2	-28.2	448.0	710.7
2	5965.9	4032.2	792.3	-27.2	453.1	715.5
3	6123.3	4161.2	797.1	-26.5	461.3	730.1
4	6227.7	4233.3	800.2	-23.2	472.2	745.2
YEAR	6045.6	4093.7	794.2	-26.3	458.6	725.4
% change from '90	8.2	9.3	3.2	-26.1	6.9	6.8
1992:1	6341.6	4328.1	803.4	-22.3	485.3	747.1
2	6438.0	4394.3	810.3	-24.6	494.5	763.4
3	6556.2	4483.8	813.1	-22.5	500.2	781.7
4	6678.0	4593.9	815.6	-23.7	505.4	786.8
YEAR	6503.4	4450.0	810.6	-23.3	496.4	769.7
% change from '91	7.6	8.7	2.1	-11.4	8.2	6.1

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

0.00%	Population
0.00%	Agriculture
0.00%	Civilian Labor Force
- .04%	Total Employed
- .04%	Non Agriculture
- .19%	Unemployment

IN APRIL, THE UNEMPLOYMENT RATE ROSE TO A SEASONALLY ADJUSTED 5.4% FROM 5.2% THE PRECEDING MONTH.

The number of newly created jobs was 69 thousand. This number is likely to be revised upward as it was done for the March figure which was revised from the faint gain of 26 thousand up to the more impressive 103 thousand new jobs.

So far, for the first four months of this year, the average monthly grown in non-farm payrolls was 175 thousand, not as strong but still good when compared to a 200 thousand monthly average for all of 1989 and 275 thousand for 1988.

The April employment data are shadowed by the impact of unusually warm weather in January and February. In these months, the construction industry, for example, hired unusually large numbers of workers to sustain construction activity that would have normally been curtailed. Therefore, relatively few new hires occurred in March and April.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	249.8	122.7	115.2	3.2	113.6	5.29
1990:1	259.4	125.6 P	119.1 P	3.2	115.9 p	5.21
2	260.3	126.1	119.3	3.2	116.1	5.38
3	262.2	127.3	120.6	3.2	117.4	5.28
4	262.9	128.2	121.4	3.2	118.2	5.29
YEAR	261.2	126.8	120.2	3.2	117.0	5.29
% change from '89	4.6	3.3	3.2	0.0	3.0	0.00
1991:1	263.4	129.0	122.2	3.2	119.0	5.28
2	264.5	130.1	123.3	3.2	120.1	5.24
3	265.1	131.0	124.2	3.2	121.0	5.20
4	266.4	131.9	125.0	3.2	121.8	5.24
YEAR	264.9	130.5	123.7	3.2	120.5	5.24
% change from '90	1.4	2.9	2.9	0.0	3.0	-.95
1992:1	267.3	132.7	125.7	3.2	122.5	5.24
2	268.4	133.2	126.2	3.2	123.0	5.26
3	269.2	134.5	127.5	3.2	124.3	5.20
4	269.2	135.0	128.0	3.2	124.8	5.22
YEAR	268.5	133.8	126.8	3.2	123.6	5.23
% change from '91	1.4	2.6	2.6	0.0	2.6	-.19

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

DATA POINT TO HOUSING STARTS THIS YEAR SLIGHTLY ABOVE LAST YEAR'S PERFORMANCE, AND TO A SIGNIFICANT ACCELERATION IN HOUSING ACTIVITY IN 1991.

The April plunge of housing starts of 1.2 mil. units does not sound alarming, due to the extremely high performance in January and February. Much of the construction activity that would have begun in the Spring was initiated early, i.e., it was borrowed from the second quarter.

KEDI forecast of the housing activity in the rest of this year shows weakness will prevail: not a recession but clearly not a boom, however.

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ 1.28%	Mobile Home Shipments
+ .02%	1-Family unit price new
0.00%	1-Family unit price existing
- .16%	Permits Issued
- 5.59%	Single Family Housing Starts
-12.42%	Multiple Family Housing Starts

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1989*	1.003	.373 R	.198 R	1.332 R	148.5 R	118.0
1990:1	1.198	.253	.209	1.490	155.5	124.6
2	1.068	.281	.211	1.301	157.0	127.3
3	1.211	.290	.231	1.405	163.9	129.2
4	1.266	.276	.220	1.415	164.5	130.5
YEAR	1.186	.275	.218	1.403	160.2	127.9
% change from '89	18.2	-26.3	10.0	5.3	7.9	8.4
1991:1	1.190	.305	.219	1.414	168.4	134.0
2	1.263	.398	.238	1.471	170.8	135.6
3	1.367	.420	.242	1.553	175.0	138.7
4	1.340	.407	.229	1.547	177.2	140.1
YEAR	1.290	.383	.232	1.496	172.8	137.1
% change from '90	8.8	39.1	6.5	6.7	7.9	7.2
1992:1	1.265	.421	.224	1.572	180.3	143.2
2	1.307	.439	.246	1.643	184.5	145.8
3	1.354	.457	.249	1.671	187.2	148.1
4	1.301	.407	.230	1.628	190.3	152.3
YEAR	1.307	.431	.237	1.629	185.6	147.3
% change from '91	1.3	12.7	2.3	8.8	7.4	7.5

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ 1.19%	Total Light Truck Sales
+ .83%	Imported Car Sales
0.00%	Dealer Inventory
- 1.41%	Domestic Car Sales
- 1.72%	Total Car Sales
- 3.67%	Shipments

DURING THE FIRST QUARTER OF THIS YEAR, AUTOMAKERS HAVE REDUCED INVENTORIES OF CARS FROM MORE THAN 90 DAYS TO 60 DAYS SUPPLY.

The automobile industry is clearly rebounding.

The May decline in sales of cars and trucks is considered temporary, and the industry is expected to function normally for the rest of this year, with sales roughly matching production.

So far, this year's performance of automakers in the U.S. has not been bad: in the first four months the output of domestically-produced cars has been lagging behind last year's four months by approximately 2.6%. More significant increases in production and sales of cars and light-duty trucks are expected not earlier than in the fourth quarter of this year. They will accelerate in 1991.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9 R	7.1	2.8 R	1.7	7.2 R	4.2
1990:1	9.7	6.7	3.0	1.5	6.5	3.9
2	9.8	6.9	2.9	1.6	7.3	4.0
3	10.1	7.0	3.1	1.8	7.6	4.6
4	10.5	7.4	3.1	1.7	7.5	4.5
YEAR	10.0	7.0	3.0	1.7	7.2	4.2
% change from '89	1.3	-1.4	8.0	0.0	.3	1.2
1991:1	10.6	7.5	3.1	1.8	7.5	4.4
2	10.9	7.8	3.1	1.7	7.6	4.7
3	11.0	7.8	3.2	1.7	7.9	4.7
4	10.8	7.8	3.0	1.8	7.8	4.8
YEAR	10.8	7.7	3.1	1.8	7.7	4.7
% change from '90	8.0	5.5	2.5	5.9	6.6	9.4
1992:1	10.2	7.1	3.1	1.7	7.8	4.6
2	10.5	7.3	3.2	1.8	7.8	4.8
3	11.3	8.2	3.1	1.8	8.0	4.9
4	10.9	7.7	3.2	1.8	7.7	4.6
YEAR	10.7	7.6	3.2	1.8	7.8	4.7
% change from '91	-.9	-2.5	1.6	0.0	1.6	1.6

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

KEDI FORECAST DATA POINT TO A $60 BIL. CUT IN THE PROPOSED FEDERAL BUDGET FOR FISCAL YEAR 1991 STARTING OCTOBER 1, 1990.

These cuts are necessary in order to achieve the Gramm-Rudman-Hollings Act targets. This figure includes the assumed $15 bil. bail-out spending on defaulted savings and loan association and approximately $8 bil. on new or adjusted near taxes. It is also assumed that the Administration-Congress budget deficit reduction compromise will be agreed upon prior to automatic spending cuts take effect.

Recently released data on Federal budget deficit are not too optimistic. A surge in income tax payments generated a record Federal budget surplus of $42.5 bil. in April, which reduced the deficit for FY 1990 to $108.3 bil., with five more months remaining to the end of the fiscal year. That points to the FY 1990 deficit of $130 bil. at least-- well above the Gramm-Rudman-Hollings target of $110 bil. for this fiscal year.

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ 1.48%	Federal Surplus Deficit
+ .07%	State Income Tax
+ .04%	Federal Income Tax
- .99%	State Surplus Deficit
- 1.05%	State Local Corp. Tax Accrued
- 1.23%	Corporate Profit Tax Accrued

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL----------*			*---STATE AND LOCAL----*		
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	460.4	105.1	-148.5	188.1	27.9	49.0
1990:1	482.0 P	103.0 P	-136.4 P	202.1 P	30.1 P	51.4 P
2	488.9	106.2	-125.8	203.5	30.3	51.6
3	501.1	111.2	-106.1	207.8	31.1	53.5
4	509.2	120.5	-92.4	208.0	31.6	53.8
YEAR	495.3	110.2	-115.2	205.3	30.8	52.6
% change from '89	7.6	4.9	-22.4	9.2	10.3	7.3
1991:1	520.4	121.0	-74.9	209.5	32.0	54.5
2	524.3	123.7	-71.5	213.6	33.2	56.7
3	532.7	127.4	-65.5	220.8	34.3	58.3
4	540.6	131.2	-59.2	226.4	36.2	59.7
YEAR	529.5	125.8	-67.8	217.6	33.9	57.3
% change from '90	6.9	14.2	-41.2	6.0	10.2	9.0
1992:1	548.1	134.6	-58.5	228.5	37.6	61.0
2	559.3	137.1	-53.2	231.1	38.5	62.6
3	567.0	140.2	-49.6	238.5	39.9	63.4
4	576.2	145.2	-45.2	247.8	40.7	64.0
YEAR	562.6	139.3	-51.6	236.5	39.2	62.8
% change from '91	6.3	10.7	-23.8	8.7	15.5	9.5

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+ .26%	Corporate After Tax Profit
+ .13%	Personal Savings
- .03%	Average Weekly Earnings
- .32%	Comp. of Employees
- 1.13%	Personal Income
- 1.30%	Personal Disp. Income

FORECAST DATA FOR THE REST OF THIS YEAR AND AFTERWARD POINT TO A REGULAR AND STEADY GROWTH WITHOUT ANY MAJOR DISTURBANCES IN PERSONAL INCOME.

April data on personal income are encouraging: personal income rose by .3% after solid gains of .8% in each of the preceding months. The payroll component of personal income also increased albeit not as regularly as in preceding months.

Payroll (in bil. $ changes from the preceding month):

	March	April
Manufacturing	+ 4.8	- 2.3
Services	+ 5.7	+11.7
Government	+ 3.0	+ 2.8

The first quarter 1990 data on corporate profits point to positive developments ahead: profits earned only from actual production increased by .7% and forecast data show the .8%, 1.0%, and 1.1% increases for respective 2nd, 3rd, and 4th quarters of this year. Profits from production had been falling for 3 consecutive quarters in 1989.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4436.5	3782.1	3158.6	157.6	205.0	431.6
1990:1	4641.7 p	3962.3 P	3295.1 P	150.7 P	213.8 P	434.5
2	4688.2	3995.8	3370.4	157.0	213.1	442.3
3	4716.3	4007.4	3465.4	164.3	217.4	452.3
4	4800.3	4083.1	3514.2	171.7	219.2	458.8
YEAR	4711.6	4012.1	3411.3	160.9	215.9	447.0
% change from '89	6.2	6.1	8.0	2.1	5.3	3.6
1991:1	5143.1	4413.2	3630.3	173.4	219.0	462.2
2	5235.5	4497.6	3687.2	177.3	214.7	463.6
3	5396.0	4642.5	3731.3	181.2	224.8	464.3
4	5490.5	4723.5	3801.1	183.6	229.5	470.3
YEAR	5316.3	4569.2	3712.5	178.9	222.0	465.1
% change from '90	12.8	13.9	8.8	11.2	2.8	4.1
1992:1	5606.7	4830.1	3863.4	190.3	235.7	476.3
2	5696.7	4906.3	3927.5	193.2	240.6	480.5
3	5813.8	5008.3	3995.8	198.4	247.3	486.7
4	5953.9	5129.9	4061.2	202.9	252.6	492.1
YEAR	5767.7	4968.6	3962.0	196.2	244.1	483.9
% change from '91	8.5	8.7	6.7	9.7	9.9	4.0

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.C - page 25.

1990
FORECAST
DATA

Percent Change
from
April 1990
Forecast

+	.54%	Time Deposits
+	.13%	Consumer Install. Credit
+	.11%	Large Denom. Time Deposits
+	.09%	Comm. & Indust. Loans at Banks
-	.02%	Consumer & Demand Deposits
-	.28%	Mortg. at Savings Inst'ns

FORECAST OF THE U.S. MONEY AND CREDIT MARKETS THIS YEAR AND IN 1991 REMAINS BARELY CHANGED WHEN COMPARED WITH DATA PRESENTED IN THE PREVIOUS ISSUE OF THIS SURVEY.

Moderate growth of monetary aggregates M1 and M2 well within targets set up by the Federal Reserve. The fastest growth of credit aggregates is expected to take place by the consumer credit and, 1991 by the mortgage credit. Commercial and industrial loans are expected to grow only moderately.

Forecast data on markets for stocks and bonds are optimistic for both forecast years: no significant ups or downs are predicted--neither for the stock market nor for any of markets for bonds.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	564.3	584.9	3386.4
1990:1	796.1 P	3271.7 P	718.5 P	570.0 P	598.1 P	3422.4 P
2	810.8	3348.8	723.9	575.1	609.7	3480.7
3	816.5	3397.5	737.7	587.7	618.8	3551.2
4	824.7	3489.5	755.6	580.6	629.9	3560.2
YEAR	812.0	3376.9	755.6	580.6	629.9	3560.2
% change from '89	3.7	8.1	6.3	5.3	7.7	5.1
1991:1	835.6	3499.1	774.1	586.5	641.3	3598.4
2	839.7	3589.3	789.1	587.8	650.2	3619.4
3	848.5	3666.4	796.8	589.9	661.5	3669.2
4	854.2	3757.8	814.2	589.8	683.8	3718.5
YEAR	844.5	3628.2	814.2	589.8	683.8	3718.5
% change from '90	4.0	7.4	7.8	1.6	8.6	4.4
1992:1	864.6	3824.5	826.3	593.4	683.2	3798.2
2	872.3	3887.9	835.5	594.6	685.7	3902.6
3	878.9	3954.6	840.7	596.1	689.3	3998.7
4	884.6	4018.3	859.6	599.6	696.0	4100.1
YEAR	875.1	3921.3	859.6	599.6	696.0	4100.1
% change from '91	3.6	8.1	5.6	1.7	1.8	10.3

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*Historical data. n.s.a: not seasonally adjusted.

s.a.: seasonally adjusted at annual rates.

R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990 FORECAST DATA

Percent Change from April 1990 Forecast

+ .03%	20 Year Govt. Bond Yield
+ .03%	Aaa Corp. Bonds
0.00%	Prime Rate
0.00%	Conv. Mortg. Rate
0.00%	S & P's 500 Avg.
- .16%	Treas. Bills 2 mo. 500 Avg.

FORECAST DATA INDICATE THAT THE FEDERAL RESERVE IS NOT EXPECTED TO CHANGE THE INTEREST RATES IN A HURRY BUT MAY START EASING A BIT IN THE SECOND HALF OF THIS YEAR.

Internationally, the bond yields in major currencies, appear to have peaked and on the decline except, perhaps, the United Kingdom.

Some yield and rates in the U.S. also appear peaked, notably the mortgage rates and yields on long-term government bonds. In the KEDI forecast, the mortgage rates and government bonds are expected to be leaders in the overall interest rates decline, taking place, possibly in the second half of this year. Short-term rates and yields are not expected to experience profound declines.

Declines of rates and yields are predicted short-lived. Forecast data show that in 1991 they will stabilize in the first half of the year and to resume a slow upward trend in the second half.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.15	10.74	9.69	9.29	8.44	322.97
1990:1	7.81 P	10.00	9.76 P	9.18 P	8.24 P	350.16 P
2	7.71	10.00	9.47	9.37	8.66	354.12
3	7.68	10.00	9.14	9.65	8.04	357.19
4	7.67	10.00	8.99	9.85	8.16	355.24
YEAR	7.72	10.00	9.34	9.51	8.28	354.18
% change from '89	-5.3	-6.9	-3.6	2.4	-2.0	9.7
1991:1	7.44	9.96	9.06	9.88	7.91	358.64
2	7.55	10.00	9.21	9.98	8.03	364.96
3	7.56	10.00	9.34	10.01	8.14	367.58
4	7.60	10.04	9.62	10.06	7.60	373.21
YEAR	7.54	10.00	9.31	9.98	7.92	366.10
% change from '90	-2.3	0.0	-.3	4.9	-4.3	3.4
1992:1	7.70	10.14	9.65	10.04	7.89	379.16
2	7.85	10.25	9.89	10.12	8.08	385.24
3	8.04	10.50	10.02	10.31	8.02	389.71
4	8.16	10.75	10.46	10.25	8.14	383.56
YEAR	7.94	10.41	10.01	10.18	8.03	384.42
% change from '91	5.3	4.1	7.5	2.0	1.4	5.0

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, the Rate of Growth of the U. S. economy in 1989 has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page DI, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figures are in the Survey of Current Business, April 1989 issue, Table 1.2 (U. S. Department of Commerce, Washington, D.C., monthly).

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Rate of Growth in 1989 over 1988
(1982 $)
Actual figure: 3.0%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	3.4	+13.3
Prudential-Bache	12/88	3.0	-
Merrill Lynch	12/88	2.4	-20.0
Blue Chip Indicators	12/88	2.1	-30.0
Chrysler Corporation	12/88	2.0	-33.0
UCLA Forecasting Project	12/88	2.0	-33.0
KEDI, Inc.	12/88	2.8	- 6.7
Salomon Brothers	12/88	3.4	+13.3
Morgan Guaranty	12/88	3.0	-

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

June 1990

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SOURCES:

The U. S. Department of Commerce, third estimates of 1990:1, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, June 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy is expected to continue in moderate, though imbalanced, growth through the second half of this year.

Prices

Producer prices for finished goods rose .3% in May reversing a three-month period of declines.

Employment & Labor

Regular increases in employment are predicted to continue in service industries.

Housing

Housing starts sank further in May, reaching their lowest level since the recession month of October 1982.

Automobiles

Forecast data for domestic car production and sales indicate sluggishness throughout the rest of this year.

Budgets

KEDI anticipates the FY 1991 budget (starting October 1, 1990) of $150 bil. will be cut by approximately $70 bil.

Income

Corporate profits will improve modestly this year and return to more favorable conditions in 1991.

Money & Credit

Inflation is clearly abating, exports are surging, manufacturing shows signs of renewed vigor, and inventories are under control.

Interest Rates, Yields & Securities Prices

No immediate action by the Federal Reserve is expected to ease credit conditions at this time.

0.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase slightly as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2.	Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in 1991.	March 1990
3.	In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.3%; France 2.2%; Japan 3.3%; Canada 3.0%	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the June 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to to recession or major downturn.	January 1987
*	In the second half of 1990 interest rates will be declining slightly.	April 1990
*	Federal budget deficits will keep declining in in 1990 and the following years.	January 1987
*	The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4143.6	4607.7	4736.7	4883.5
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	141.8	120.5	124.5	128.8
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.3	83.8	83.7
utiliz., p. 5	% change	.6	.2	-.6	-.2
Unemployment	%	5.2	5.2	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.8	1.7	1.7
starts, p. 5	% change	-5.8	4.1	-5.8	3.8
Car sales,	mil.units	10.1	11.1	11.4	11.9
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.6	149.4	154.8	159.9
price def.,p.11	% change	4.4	3.4	3.6	3.3
Consumer Price	1967=100	124.0	145.3	150.2	155.3
Index, p. 11	% change	4.7	3.5	3.4	3.4
Prod.Price Index	1967=100	113.5	134.0	140.0	145.5
(fin.goods),p.11	% change	5.1	4.3	4.5	3.9
Federal Deficit	bil. $	-145.7	-58.7	-46.8	-37.9
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4436.5	6136.1	6559.5	7071.2
p. 23	% change	9.0	7.6	6.9	7.8
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	922.4	977.7	1037.3
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2396.6	2562.0	2749.0
p. 7	% change	5.5	7.8	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES
1.11 REAL GROWTH

See Table 1.11
Page 5

THE ECONOMY IS EXPECTED TO CONTINUE IN MODERATE, THOUGH IMBALANCED, GROWTH THROUGH THE SECOND HALF OF THIS YEAR. Forecast data point to a more proportionate and robust expansion in 1991 and afterward.

Forecast data point to a continuous moderate growth in consumer spending, slow business capital outlays, healthy gains in services, and strong increases in exports. These will be the main forces pushing the economy forward. Residential construction and car sales will remain sluggish. The unemployment rate is expected to remain low at the current level. Inflation will abate a bit, and interest rates will decline marginally.

Recent data underline these expected developments:

- industrial production increased by .6% in May
- business inventories inched up by .1%, remaining well under control
- orders for durables increased signficantly
- the trade deficit shrank to a record level in April
- the CPI and PPI for finished goods increased a meager .2% and .3%, respectively, in April
- the unemployment rate dropped to 5.3% in April
- the June 20 report of 12 Federal Reserve Banks show that the economy is moving ahead at a slow pace
- the Index of Purchasing Managers released in June indicates that the economy is picking up.

1990 FORECAST DATA

Percent Change from May 1990 Forecast

+ .03%	Capacity Util.
- .02%	GNP
- .09%	Unemployment
- 2.25%	Autos
- 9.10%	Private Housing Starts
-23.41%	Index Indust. Prod.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1987=100	Unem-ployment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1989*	4143.6	108.1	5.29	84.0	1.376	9.9
1990:1	4193.4	108.0	5.21	82.4	1.451	9.7
2	4219.1	108.8	5.36	83.7	1.223	9.6
3	4245.8	109.8	5.28	84.0	1.338	9.8
4	4285.9	111.2	5.29	84.0	1.442	10.0
YEAR	4236.1	109.5	5.29	83.5	1.4	9.8
% change from '89	2.2	1.2	-.1	-.6	-.9	-1.3
1991:1	4317.3	112.3	5.28	83.9	1.475	10.2
2	4342.0	113.0	5.24	84.0	1.581	10.5
3	4375.9	114.0	5.20	84.1	1.647	11.0
4	4398.1	115.1	5.24	84.0	1.678	10.7
YEAR	4358.3	113.6	5.24	84.0	1.595	10.6
% change from '90	2.9	3.8	-.9	.6	17.0	8.4
1992:1	4437.8	115.9	5.24	83.9	1.666	10.2
2	4467.6	117.1	5.26	84.0	1.726	10.7
3	4502.9	118.0	5.20	84.2	1.771	11.3
4	4537.8	119.4	5.22	84.6	1.708	10.9
YEAR	4486.5	117.6	5.23	84.2	1.718	10.8
% change from '91	2.9	3.5	-.2	.2	7.7	1.7

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

RETAIL SALES DROPPED IN APRIL FOR THE THIRD CONSECUTIVE MONTH BUT REMAIN WELL ABOVE 1989:4 SALES. In may, retail sales fell to a seasonally adjusted $146.84 bil. from a revised $147.93 bil. in April.

KEDI forecast data show that this decline is a temporary aberration and not an indication of a trend:

- many analysts agree that the April and May figures reflect the impact of unusually mild weather which boosted January-February retail sales and "borrowed" from Spring sales
- the April and May figures of retail sales are still far above the figures of each of three months in the fourth quarter of 1989
- without seasonal adjustment, the May sales are above the April sales, and above May 1989 sales

Forecast data of retail sales for the balance of this year do not indicate any downturn, but rather, point to a moderate growth commensurate with increases in personal income and consumption.

1990
FORECAST
DATA

Percent Change
from
May 1990
Forecast

+ 1.48%	Pers. Con. Expend. Nondurable
+ .04%	Retail Sales Total
+ .03%	Retail Sales Nondurable
+ .02%	Pers. Cons. Expend. Durable
- .01%	Retail Sales Durable
- .80%	Pers. Cons. Expend. Services

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondur-ables	Services	Total	Durables	Nondur-ables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	476.8	1122.7	1776.1	1718.1	656.7	1062.1
1990:1	477.6 P	1091.3 P	1867.5 P	1805.4 P	682.3 P	1122.1P
2	482.0	1185.9	2021.5	1839.2	690.2	1149.0
3	491.9	1250.2	2046.0	1852.9	700.4	1152.5
4	505.2	1299.7	2059.4	1920.4	706.5	1213.9
YEAR	489.2	1206.8	1998.6	1854.5	694.9	1159.4
% change from '89	2.6	7.5	12.5	7.9	5.8	9.2
1991:1	527.3	1304.8	2092.9	1958.5	730.1	1228.4
2	540.4	1369.4	2085.9	2001.2	744.2	1257.0
3	561.5	1319.3	2250.4	2030.5	763.3	1267.2
4	590.7	1384.5	2228.5	2061.3	800.1	1261.2
YEAR	555.0	1344.5	2164.4	2012.9	759.4	1253.5
% change from '90	13.5	11.4	8.3	8.5	9.3	8.1
1992:1	601.4	1428.7	2268.4	2140.1	819.5	1320.6
2	608.5	1462.3	2292.8	2190.6	827.6	1363.0
3	626.3	1494.8	2364.1	2285.3	843.2	1442.1
4	631.5	1509.6	2460.0	2276.9	860.9	1416.0
YEAR	616.9	1473.8	2346.3	2223.2	837.8	1385.4
% change from '91	11.2	9.6	8.4	10.5	10.3	10.5

---

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change
from
May 1990
Forecast

+ .03%	State Local Purch.
- .02%	GNP
- .04%	Federal Govt. Purch.
- .09%	Federal Govt. Purch.
- .29%	Pers. Cons. Expend.
-19.20%	Net Exports

THE THIRD AND LAST REVISION OF THE GNP AND COMPONENTS FOR 1990:1 SHOWS THAT THE ECONOMY GREW BY 1.9%--AN IMPROVEMENT WHEN COMPARED TO THE 1.1% GROWTH IN 1989:4.

The major factors contributing to the 1.9% growth rate were the January-February surge in residential construction, the temporary increase in output of cars, and strong exports.

While exports are expected to continue growing at fairly good rates, car sales and housing in 1990:2 will be sluggish and will improve only marginally in the second half of this year.

The forecast calls for a 1.8% growth rate in 1990:2, 2.2% in 1990:3, and 2.8% in 1990:4.

TABLE 1.13
REAL GNP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross National Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4143.6	2670.3	720.5	-52.9	337.2	468.7
1990:1	4193.4	2705.0	705.4	-33.6	339.2	477.4
2	4219.1	2717.2	712.9	-31.2	343.0	477.2
3	4245.8	2723.4	726.4	-30.2	347.1	479.1
4	4285.9	2758.0	724.0	-30.4	350.6	483.7
YEAR	4236.1	2725.9	717.2	-31.4	345.0	479.4
% change from '89	2.2	2.1	-.5	-40.7	2.3	2.3
1991:1	4317.3	2777.4	728.8	-27.1	352.4	485.8
2	4342.0	2791.1	736.0	-26.5	354.2	487.2
3	4375.9	2813.4	740.2	-24.2	357.5	489.0
4	4398.1	2824.4	745.8	-24.4	360.5	491.8
YEAR	4358.3	2801.6	737.7	-25.6	356.1	488.4
% change from '90	2.9	2.8	2.9	-18.5	3.2	1.9
1992:1	4437.8	2853.2	750.8	-23.5	362.2	495.1
2	4467.6	2871.8	752.0	-20.6	365.1	499.3
3	4502.9	2888.4	757.2	-18.4	369.1	506.6
4	4537.8	2919.3	760.5	-23.1	371.2	509.9
YEAR	4486.5	2883.2	755.1	-21.4	366.9	502.7
% change from '91	2.9	2.9	2.4	-16.2	3.0	2.9

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
May 1990
Forecast

+ 1.14%	Consumer Price Index
+ .27%	Pers. Cons. Expend.
+ .04%	State Local Purch
+ .02%	GNP
- .22%	Federal Govt. Purch.
- .71%	Producer Price Index

PRODUCER PRICES FOR FINISHED GOODS ROSE .3% IN MAY REVERSING A THREE-MONTH PERIOD OF DECLINES: .1% in February, .2% in March, and .3% in April. The May increase was mainly due to a temporary .6% jump in consumer food prices which declined .6% in both April and May.

The U. S. Department of Labor also reported that the CPI for May rose a modest .2%, the same as April's increase.

Reports on CPI and PPI point to deceleration in price increases in the producer and consumer areas. Trends in inflation are clearly downward. In 1989 the CPI rose by 4.9% over 1988, and PPI for finished goods by 4.7%. This year, the January-May figures show the annual rate of 4% for CPI and 4.0% for PPI.

Though these figures are encouraging, they are still far from the more comfortable level of 3.0% annual increases envisioned by the Federal Reserve.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.5	126.6	128.3	119.5	134.8
1990:1	127.6 R	117.0	129.8	129.7	123.3	139.9
2	128.8	117.6	130.7	135.8	123.9	140.9
3	131.0	118.4	132.8	139.1	124.1	142.7
4	132.8	119.2	134.0	140.1	124.8	143.9
YEAR	130.1	118.0	131.8	136.2	124.0	141.8
% change from '89	4.~~0~~ 4	4.0	4.1	6.1	3.8	5.2
1991:1	134.8	121.1	135.0	141.3	126.4	145.1
2	135.8	122.8	136.4	143.2	127.2	146.0
3	136.4	124.1	138.9	146.8	128.0	147.5
4	137.1	125.2	140.6	148.8	129.9	149.4
YEAR	136.0	123.3	137.7	145.0	127.9	147.0
% change from '90	4.~~6~~ 3	4.4	4.5	6.5	3.1	3.6
1992:1	138.2	126.5	142.0	150.7	131.1	150.9
2	139.1	127.2	143.2	151.9	132.8	152.9
3	140.2	129.0	145.6	155.3	133.7	154.3
4	143.9	131.2	147.3	157.6	134.0	154.3
YEAR	140.3	128.5	144.5	153.9	132.9	153.1
% change from '91	3.2	4.2	4.9	6.1	3.9	4.1

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*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990 FORECAST DATA

Percent Change from May 1990 Forecast

+ .03%	Pers. Cons. Expend.
+ .02%	State Local Purch.
- .02%	GNP
- .25%	Federal Govt. Purch.
- .54%	Gross Private Dom. Inv.
- 7.58%	Net Exports

THE SURGE IN EXPORTS IS THE MAIN FACTOR AFFECTING THE GROWTH OF THE ECONOMY. This is pointed out in the data contained in the second revision of the 1990:1 GNP. The third and final revision, released recently by the U. S. Department of Commerce is more optimistic by showing the growth in current dollars at 9.7% compared to the previously reported 8.1%.

Forecast data indicate that the strong growth in exports will continue throughout the rest of this year and afterward.

Categories of exports expected to experience the fastest growth are:

* agricultural products, notably wheat and corn, and soybeans in 1991
* capital goods, especially engines and parts, aircraft, ferrous and nonferrous metal products
* instruments, computer chips, metal-working machinery
* chemicals and products
* paper and products
* consumer durables.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross National Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5233.4	3372.6	773.3	-47.7	402.1	633.9
1990:1	5443.5	3638.4	757.3	-35.1	418.9	664.0
2	5514.4	3689.4	762.5	-34.9	425.0	672.4
3	5638.4	3788.1	767.3	-31.4	430.8	683.7
4	5743.1	3864.3	775.4	-30.2	437.5	696.0
YEAR	5584.8	3745.1	765.6	-32.9	428.0	679.0
% change from '89	6.7	11.0	-1.0	-31.0	6.5	7.1
1991:1	5828.4	3925.0	781.2	-28.2	445.4	704.9
2	5922.5	3995.7	792.3	-27.4	450.5	711.3
3	6078.1	4131.2	794.1	-26.0	457.6	721.3
4	6183.7	4203.7	800.2	-23.2	468.3	734.7
YEAR	6003.2	4063.9	792.0	-26.2	455.5	718.1
% change from '90	7.5	8.5	3.4	-20.4	6.4	5.7
1992:1	6301.7	4298.5	803.4	-22.2	474.8	747.1
2	6397.6	4363.6	810.3	-24.6	484.9	763.4
3	6556.2	4485.2	818.4	-22.5	493.5	781.7
4	6684.2	4601.1	822.6	-23.7	497.4	786.8
YEAR	6484.9	4437.1	813.7	-23.2	487.6	769.7
% change from '91	8.0	9.2	2.7	-11.3	7.1	7.2

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
May 1990
Forecast

0.00%	Population
0.00%	Agriculture
- .09%	Unemployment
- .26%	Civilian Labor Force
- .29%	Total employed
- .30%	Non Agriculture

REGULAR INCREASES IN EMPLOYMENT ARE PREDICTED TO CONTINUE IN SERVICE INDUSTRIES, ESPECIALLY HEALTH, BUSINESS SERVICES, PERSONAL SERVICES, MAINTENANCE AND REPAIR, AND FAST FOOD.

In May, the unemployment rate declined to 5.3% from the April rate of 5.4%. At seasonally adjusted rates, civilian employment rose to 118.4 mil. from April's 118.1 mil.

Data indicate weaknesses in labor markets in heavy industry, construction, textile, apparel, food processing, transportation, finance, and insurance.

For the rest of this year, the outlook calls for increased demand for labor in export-related industries, mainly the capital goods producers, chemicals and consumer durables. Demand is expected to be weak in the construction, textile and apparel, rubber, trucking, and oil extraction industries

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	249.8	122.7	115.2	3.2	113.6	5.29
1990:1	259.4	125.6	119.1	3.2	115.9	5.21
2	260.3	126.0	119.2	3.2	116.0	5.36
3	262.2	126.8	120.1	3.2	116.9	5.28
4	262.9	127.5	120.8	3.2	117.6	5.29
YEAR	261.2	126.5	119.8	3.2	116.6	5.29
% change from '89	4.6	3.1	2.9	0.0	2.7	-.1
1991:1	263.4	128.4	121.6	3.2	118.4	5.28
2	264.5	129.1	122.3	3.2	119.1	5.24
3	265.1	130.0	123.2	3.2	120.0	5.20
4	266.4	131.0	124.1	3.2	120.9	5.24
YEAR	264.9	129.6	122.8	3.2	119.6	5.24
% change from '90	1.4	2.5	2.5	0.0	2.6	-.85
1992:1	267.3	131.7	124.8	3.2	121.6	5.24
2	268.4	132.2	125.2	3.2	122.0	5.26
3	269.2	134.5	127.5	3.2	124.3	5.20
4	269.2	135.0	128.0	3.2	124.8	5.22
YEAR	268.5	133.3	126.4	3.2	123.2	5.23
% change from '91	1.4	2.9	2.9	0.0	3.0	-.19

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990 FORECAST DATA

Percent Change from May 1990 Forecast

+ 5.27%	Multiple Family Housing Starts
- .02%	1-Family unit price new
- .10%	1-Family unit price existing
- 2.52%	Mobile Home Shipments
- 9.44%	Single Family Housing Starts
-15.54%	Permits Issued

HOUSING STARTS SANK FURTHER IN MAY, REACHING THEIR LOWEST LEVEL SINCE THE RECESSION MONTH OF OCTOBER 1982: 1.207 mil. units, seasonally adjusted, down 1.4% from April's rate of 1.224 mil. Housing starts fell 6.4% in April and 12.2% in March.

It is expected that starts will hover around 1.2 mil. in the coming few months before starting to increase to more normal levels.

Builders are expected to hold off on construction because of the current weak fundamentals in the housing industry: large inventories of existing unsold homes, relatively high interest rates, credit crunch in some areas, and a high level of vacancies in nonresidential construction.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home ship-ments	Permits author-ized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1989*	1.003	.373	.198	1.332	148.5	118.0
1990:1	1.198 P	.253 P	.209 P	1.321 P	155.3 P	124.1 P
2	.914	.309	.210	1.062	157.0	127.3
3	1.018	.320	.221	1.143	163.9	129.2
3	1.018	.320	.221	1.143	163.9	129.2
4	1.066	.276	.210	1.214	164.5	130.5
YEAR	1.049	.289	.212	1.185	160.2	127.8
% change from '89	4.6	-22.4	7.3	-11.0	7.9	8.3
1991:1	1.170	.305	.209	1.414	168.4	134.0
2	1.213	.368	.238	1.471	170.8	135.6
3	1.367	.380	.232	1.553	175.0	138.7
4	1.311	.367	.229	1.547	177.2	140.1
YEAR	1.265	.355	.227	1.496	172.8	137.1
% change from '90	20.6	22.6	6.8	26.3	7.9	7.3
1992:1	1.265	.401	.224	1.572	180.3	143.2
2	1.307	.419	.246	1.643	184.5	145.8
3	1.354	.417	.249	1.671	187.2	148.1
4	1.301	.407	.230	1.628	190.3	152.3
YEAR	1.307	.411	.237	1.629	185.6	147.3
% change from '91	3.3	15.8	4.5	8.8	7.4	7.5

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*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990 FORECAST DATA

Percent Change from May 1990 Forecast

+ 1.19%	Total Light Truck Sales
0.00%	Dealer Inventory
- .83%	Imported Car Sales
- 1.74%	Shipments
- 2.25%	Total Car Sales
- 2.86%	Domestic car sales

FORECAST DATA FOR DOMESTIC CAR PRODUCTION AND SALES INDICATE SLUGGISHNESS THROUGHOUT THE REST OF THIS YEAR.

The car market will not be as weak as many economists predict: KEDI prediction of car sales shows 3.2% decline when compared to last year's sales. The output of domestic cars will decline by 3%.

The outlook for light-duty trucks, vans, recreational vehicles and jeeps is a bit better--a 1% decline in output and sales is predicted.

Data on output of cars in the second and third quarter of this year show some improvement. Automakers are expected to increase production somewhat to increase inventories to more normal levels, especially the new and upgraded types which are in high demand.

Current inventories of unsold cars are at an approximate 60 day level compared to the normal 70 day supply. Low inventories of unsold cars indicate that the summer incentives for buyers are not going to be as generous as they were during the summer of 1989.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9	7.1	2.8	1.7	7.2	4.2
1990:1	9.7	6.7	3.0	1.5	6.5	3.9
2	9.6	6.7	2.9	1.6	7.2	4.0
3	9.8	6.8	3.0	1.8	7.4	4.6
4	10.0	7.0	3.0	1.7	7.2	4.5
YEAR	9.8	6.8	3.0	1.7	7.1	4.2
% change from '89	-1.3	-4.2	6.3	0.0	-1.7	1.2
1991:1	10.2	7.3	2.9	1.8	7.4	4.4
2	10.5	7.4	3.1	1.7	7.5	4.7
3	11.0	7.8	3.2	1.7	7.6	4.7
4	10.7	7.7	3.0	1.8	7.8	4.8
YEAR	10.6	7.5	3.0	1.8	7.6	4.7
% change from '90	8.4	5.9	2.5	5.9	7.1	9.4
1992:1	10.2	7.1	3.1	1.7	7.7	4.6
2	10.7	7.5	3.2	1.8	7.6	4.8
3	11.3	8.2	3.1	1.8	8.0	4.9
4	10.9	7.7	3.2	1.8	7.7	4.6
YEAR	10.8	7.6	3.2	1.8	7.8	4.7
% change from '91	1.7	-1.6	3.3	0.0	2.3	1.6

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990
FORECAST
DATA

Percent Change
from
May 1990
Forecast

+10.95%	State Surplus Deficit
- .06%	State Income Tax
- .08%	State Local Corp. Tax Accrued
- .12%	Federal Income Tax
- .25%	Corporate Profit Tax Accrued
-11.07%	State Surplus Deficit

RECENTLY RELEASED DATA ON THE FEDERAL BUDGET DEFICIT FOR FISCAL YEAR 1991 STARTING OCTOBER 1, 1990 POINT TO SIGNIFICANT CUTS WHICH HAVE TO BE NEGOTIATED.

The White House Office of Budget Management now puts the FY 1991 deficit at $200-220 bil., while the Congressional Budget Office forecast calls for $233 bil. Both figures include the cost of the savings and loan bailout in FY 1991, which means the new bid of the Administration that includes $50 bil. deficit cuts can be considered to be just a first step in the process of adjustment to data proposed in the FY 1991 budget.

KEDI anticipates the FY 1991 budget deficit of $150 bil. will be cut by approximately $70 bil.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL-----------*			*---STATE AND LOCAL----*		
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	460.4	105.1	-148.5	188.1	27.9	49.0
1990:1	480.1 P	101.8 P	-137.4 P	201.9 P	30.1 P	44.3 P
2	488.4	106.2	-135.8	203.0	30.3	46.5
3	501.1	111.2	-126.1	207.8	31.1	47.5
4	509.2	120.5	-112.4	208.0	31.6	48.8
YEAR	494.7	109.9	-127.9	205.2	30.8	46.8
% change from '89	7.5	4.6	-13.9	9.1	10.3	-4.5
1991:1	520.4	121.0	-94.9	209.5	32.0	49.7
2	524.3	123.7	-91.6	213.6	33.2	51.7
3	532.7	127.4	-85.5	220.8	34.3	52.3
4	540.6	131.2	-79.2	226.4	36.2	64.7
YEAR	529.5	125.8	-87.8	217.6	33.9	54.6
% change from '90	7.0	14.5	-31.4	6.0	10.2	16.7
1992:1	548.1	134.6	-78.2	228.5	37.6	55.0
2	559.3	137.1	-73.2	231.1	38.5	57.2
3	567.0	140.2	-69.6	238.5	39.9	60.4
4	576.2	145.2	-65.2	247.8	40.7	62.0
YEAR	562.6	139.3	-71.5	236.5	39.2	58.6
% change from '91	6.3	10.7	-18.5	8.7	15.5	7.4

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
May 1990
Forecast

+ 4.13%	Personal Savings
+ .31%	Corporate After Tax Profit
+ .01%	Comp. of Employees
- .02%	Average Weekly Earnings
- .21%	Personal Income
- .23%	Personal Disp. Income

CORPORATE PROFITS WILL IMPROVE MODESTLY THIS YEAR AND RETURN TO MORE FAVORABLE CONDITIONS IN 1991.

Forecast data of corporate profits this year indicate that the worst slump which took place in many industries last year is over.

In manufacturing, significant increases this year's and next year's earnings are expected in exporting industries, notably: capital goods industries producing non-electrical machinery, aircraft, engines and parts; and industries producing consumer durables, paper and products, and chemical products.

Profits of the automotive industry are expected to return to normal levels in 1991.

Forecast data of Personal Income and components show regular healthy increases this year and throughout 1991.

TABLE 1.60
INCOME

Quarterly data are seasonally aujusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4436.5	3782.1	3158.6	157.6	205.0	431.6
1990:1	4661.7 P	3983.5 P	3299.1 P	151.2 P	213.9 P	434.5
2	4604.6	3913.2	3371.5	157.8	223.8	442.2
3	4724.4	4015.5	3465.4	164.9	227.4	452.3
4	4815.7	4098.5	3510.3	171.7	234.2	458.7
YEAR	4701.6	4002.7	3411.6	161.4	224.8	446.9
% change from '89	6.0	5.8	8.0	2.4	9.7	3.6
1991:1	5084.1	4354.2	3630.3	173.5	219.0	462.2
2	5160.8	4422.9	3687.2	177.3	214.7	463.6
3	5323.8	4570.3	3731.3	181.5	224.8	464.3
4	5417.3	4650.3	3801.1	183.6	229.5	470.3
YEAR	5246.5	4499.4	3712.5	179.0	222.0	465.1
% change from '90	11.6	12.4	8.8	10.9	-1.3	4.1
1992:1	5530.0	4753.4	3883.2	190.3	235.7	476.3
2	5616.0	4825.6	3947.5	193.2	240.6	480.5
3	5761.5	4956.0	3998.8	198.4	247.3	486.7
4	5903.4	5079.4	4082.2	202.9	252.6	492.1
YEAR	5702.7	4903.6	3977.9	196.2	244.1	483.9
% change from '91	8.7	9.0	7.2	9.6	9.9	4.0

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
May 1990
Forecast

+	.16%	Large Denom. Time Deposits
+	.16%	Consumer Install. Credit
+	.13%	Consumer & Demand Deposits
+	.02%	Time Deposits
-	.17%	Mortg. at Savings Inst'ns
-	.96%	Comm. & Indust. Loans at Banks

INFLATION IS CLEARLY ABATING, EXPORTS ARE SURGING, MANUFACTURING SHOWS SIGNS OF RENEWED VIGOR, AND INVENTORIES ARE UNDER CONTROL.

On the other hand, construction shows a significant weakness, which starts spreading to more industries, especially textile and apparel, trucking, and some other industries.

It is anticipated that at its meeting of July 2, the Federal Reserve Open Market Committee will continue its policy of sitting and waiting for more information about the economy.

Recent data show that the economy is not in such bad shape to warrant major action toward easing of monetary and credit conditions.

All of this points to the conclusion that a more decisive action of Federal Reserve easing of monetary and credit conditions can be expected in the second half of this year.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	564.3	584.9	3386.4
1990:1	797.1 P	3272.9 P	718.7 P	570.0 P	598.2 P	3437.5 P
2	811.9	3350.8	723.9	572.1	609.7	3467.8
3	818.5	3397.5	737.7	573.7	618.8	3549.2
4	824.7	3489.5	756.8	575.0	630.9	3554.2
YEAR	813.0	3377.7	756.8	575.0	630.9	3554.2
% change from '89	3.9	8.2	6.4	5.3	7.9	5.0
1991:1	835.2	3499.2	774.2	580.5	641.3	3598.4
2	839.7	3589.3	789.1	583.8	650.2	3619.4
3	848.5	3676.4	796.8	585.4	661.5	3669.2
4	854.2	3767.8	816.7	589.0	683.8	3718.5
YEAR	844.4	3633.2	816.7	589.0	683.8	3718.5
% change from '90	3.9	7.6	7.9	2.4	8.4	4.6
1992:1	864.6	3824.5	826.3	593.4	683.2	3798.2
2	872.3	3887.9	837.5	594.6	685.7	3902.6
3	878.9	3954.6	840.7	596.1	689.3	3998.7
4	884.6	4018.3	864.6	599.6	696.0	4100.1
YEAR	875.1	3921.3	864.6	599.6	696.0	4100.1
% change from '91	3.6	7.9	5.9	1.8	1.8	10.3

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*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

AS NOTED IN THE PRECEDING SECTION ON MONEY AND CREDIT, AN IMMEDIATE ACTION OF THE FEDERAL RESERVE TO EASE THE CREDIT CONDITIONS IS NOT EXPECTED.

Though some minor steps by the Fed in that direction cannot be excluded, notably in credit conditions related to construction, a more pronounced move is anticipated later in the second half of the year, especially after more certainty about the size of the Federal budget deficit cuts for fiscal year 1991 (starting October 1, 1990) is known.

1990 FORECAST DATA

Percent Change from May 1990 Forecast

+ .63%	20 Year Govt. Bond Yield
+ .27%	Conv. Morgt. Rate
0.00%	Prime Rate
- .34%	Aaa Corp. Bonds
- .42%	Treas. Bills 2 mo. Avg.
- 3.02%	S & P's 500 Avg.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.12 R	10.74	9.69	9.26 R	8.45	323.05 R
1990:1	7.76	10.00	9.74 P	9.19	8.24 P	336.29
2	7.70	10.00	9.59	9.37	8.69	340.12
3	7.68	10.00	9.14	9.60	8.24	347.19
4	7.61	10.00	8.99	9.75	8.16	350.27
YEAR	7.69	10.00	9.37	9.48	8.33	343.47
% change from '89	-5.3	-6.9	-3.4	2.3	-1.4	6.3
1991:1	7.44	9.96	9.06	9.81	7.97	352.65
2	7.55	10.00	9.21	9.98	8.03	360.96
3	7.50	10.00	9.34	10.01	8.14	363.54
4	7.40	10.04	9.62	10.06	7.60	370.21
YEAR	7.47	10.00	9.31	9.96	7.93	361.84
% change from '90	-2.8	0.0	-.6	5.1	-4.8	5.3
1992:1	7.51	10.14	9.65	10.04	7.89	373.12
2	7.80	10.25	9.89	10.12	8.08	380.21
3	8.04	10.50	10.02	10.31	8.02	685.71
4	8.16	10.75	10.46	10.25	8.14	383.56
YEAR	7.88	10.41	10.01	10.18	8.03	455.65
% change from '91	5.4	4.1	7.5	2.2	1.2	25.9

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, the Housing Starts in 1989 has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figures are in the Survey of Current Business, April 1990 issue, blue pages (U. S. Department of Commerce, Washington, D.C., monthly).

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Housing Starts in 1989
(mil. units)
Actual figure: 1.38 mil.

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	1.35	- 2.2
Prudential-Bache	12/88	1.50	+ 8.7
Merrill Lynch	12/88	1.34	- 2.2
Blue Chip Indicators	12/88	1.40	+ 1.4
Chrysler Corporation	12/88	1.40	+ 1.4
UCLA Forecasting Project	12/88	1.41	+ 1.4
KEDI, Inc.	12/88	1.45	+ 5.1
Salomon Brothers	12/88	1.36	- 2.2
Morgan Guaranty	12/88	1.40	+ 1.4

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin**, FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production**, G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

BH950-1

KEDI ECONOMIC SURVEY

July 1990

Prepared by the staff of

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SOURCES:

The U. S. Department of Commerce, third estimates of 1990:1, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, July 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

KEDI's estimate of the 1990:2 GNP shows a growth rate of 2%, slightly above the 1990:1 growth rate.

Prices

The outlook for prices, in general, is not too bad, but it is not too rosy either.

Employment & Labor

The employment outlook is optimistic calling for 1.4 mil. new jobs this year, 1.7 mil. in 1991 and 1.5 mil in 1992.

Housing

Sales of new single-family homes rose four-tenths of one percent in May, the first gain in six months.

Automobiles

In late June, sales of North-American-made cars and trucks rose 11.9% to the most robust pace in six months.

Budgets

It is still too early to enable a revision of the Federal Budget with possible new tax legislation.

Income

Quarterly forecast data for Personal Income and components show positive, though moderate, trends throughout the period.

Money & Credit

Data point to a gradual ease in pressures on markets due mainly to increased supply of funds.

Interest Rates, Yields & Securities Prices

There is much stimulation to urge the Federal Reserve to start easing monetary policies in the near future.

0.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase slightly as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2.	Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in 1991.	March 1990
3.	In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.3%; France 2.2%; Japan 3.3%; Canada 3.0%	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the July 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to recession or major downturn.	January 1987
*	In the second half of 1990 interest rates will be declining slightly.	April 1990
*	Federal budget deficits will keep declining in in 1990 and the following years.	January 1987
*	The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4143.6	4608.4	4737.5	4884.3
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	141.8	120.6	124.6	128.8
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.4	83.9	83.3
utiliz., p. 5	% change	.6	.2	-.6	-.8
Unemployment	%	5.2	33.6	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.8	1.7	1.8
starts, p. 5	% change	-5.8	4.1	-5.8	4.7
Car sales,	mil.units	10.1	11.1	11.4	11.9
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.6	148.2	153.6	158.6
price def.,p.11	% change	4.4	3.4	3.6	3.3
Consumer Price	1967=100	124.0	145.0	149.9	155.6
Index, p. 11	% change	4.7	3.5	3.4	3.8
Prod.Price Index	1967=100	113.5	132.6	137.9	143.3
(fin.goods),p.11	% change	5.1	4.3	4.0	3.9
Federal Deficit	bil. $	-145.7	-54.7	-43.5	-35.3
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4436.5	6088.3	6508.4	7016.1
p. 23	% change	9.0	7.6	6.9	7.8
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	922.0	977.4	1037.0
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2453.4	2622.7	2814.2
p. 7	% change	5.5	7.8	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

FORECAST DATA FOR 1990-1992 SHOW CONTINUOUS EXPANSION OF THE ECONOMY.

For the rest of this year, the economy is expected to grow moderately, averaging about 2.3%. In 1991 and 1992, it will grow by 2.8% and 3%, respectively.

Most key indicators are quite positive: unemployment rate 5.2-5.3%, gradual decline in the balance of payments deficit due to healthy gains in exports and decrease in dependence of the economy on inflows of foreign capital. Data for inflation are not as satisfactory: compared to the price increases in 1989, the rates for this and the following years are expected to decline though only marginally, still far from a comfortable rate of 3% or less. In the second half of this year, interest rates are expected to decrease slightly, firm temporarily in the first half of 1991, and then decline again.

Recent data underline the moderate upward trend of the economy expected to continue throughout the rist of this year: output and sales of cars, durable orders, retail sales, housing starts, exports, unemployment rate--all underscore a moderate upward trend in the months ahead without a downturn.

1990 FORECAST DATA

Percent Change from June 1990 Forecast

+ 7.00%	Private Housing Starts
+ .18%	Index Indust. Prod.
+ .03%	Capacity Util.
+ .02%	GNP
- .43%	Unemployment
- .77%	Autos

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1987=100	Unem- ploy ment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1989*	4143.6	108.1	5.29	84.0	1.376	9.9
1990:1*	4193.4	108.0	5.21	82.4	1.457	9.7
2	4218.3	108.9	5.27	83.6	1.326	9.5
3	4248.8	110.2	5.33	84.0	1.409	9.7
4	4287.9	111.7	5.26	84.1	1.372	10.0
YEAR	4237.1	109.7	5.27	83.5	1.4	9.7
% change from '89	2.3	1.5	-.4	-.6	1.1	-1.8
1991:1	4317.3	112.3	5.24	84.1	1.377	10.1
2	4342.0	112.8	5.22	84.0	1.461	10.3
3	4375.9	114.0	5.20	84.1	1.647	11.0
4	4398.1	114.8	5.23	84.2	1.348	10.6
YEAR	4358.3	113.5	5.22	84.1	1.458	10.5
% change from '90	2.9	3.4	-.9	.7	4.8	8.0
1992:1	4438.8	115.9	5.20	83.9	1.666	10.2
2	4467.6	117.4	5.21	84.0	1.726	10.6
3	4502.9	118.0	5.20	84.4	1.771	11.3
4	4539.8	119.4	5.22	84.8	1.708	10.9
YEAR	4487.3	117.7	5.21	84.3	1.718	10.8
% change from '91	3.0	3.7	-.3	.2	17.8	2.4

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990 FORECAST DATA

Percent Change from June 1990 Forecast

+ .37%	Pers. Con. Expend. Durable
+ 1.85%	Pers. Cons. Expend. Nondurable
+ 1.17%	Pers. Cons. Expend. Services
+ .63%	Retail Salesd. Nondurable
+ .42%	Retail Sales Total
+ .08%	Retail Sales Durable

SPENDING ON CONSUMER SERVICES WILL RETAIN ITS STRENGTH WHILE TEXTILE, APPAREL, SHOES AND LEATHER PRODUCTS WILL GAIN ONLY MARGINALLY.

Forecast of consumer spending for the second half of this year is optimistic. The outlook by main types of conaumer outlays shows that spending for durables will continue improving: in the second half of this year, purchases of motor vehicles and parts, home building materials and household durables will perform better than in the first half; moderate, but persistent increases in purchases of nondurables are expected in most categories of nondurables, specifically food and kindred products, durgs and toiletries, healthcare products, and other pharmaceuticals, and gasoline and other petroleum products.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	473.2	1123.4	1874.4	1733.7	645.6	1088.2
1990:1*	492.9	1166.9	1979.5	1824.4 P	678.3 P	1146.1 P
2	497.8	1189.9	2021.8	1846.3	692.6	1153.7
3	501.9	1250.2	2035.4	1852.7	700.4	1152.3
4	515.2	1309.7	2051.1	1925.4	710.5	1214.9
YEAR	501.9	1229.2	2022.0	1862.2	695.5	1166.8
% change from '89	6.1	9.4	7.9	7.4	7.7	7.2
1991:1	529.3	1316.2	2072.2	1958.7	730.4	1228.3
2	540.4	1329.4	2117.7	2044.2	744.2	1300.0
3	561.5	1359.3	2165.9	2132.9	763.3	1369.6
4	582.7	1364.2	2186.4	2161.3	800.1	1361.2
YEAR	553.5	1342.3	2135.6	2074.3	759.5	1314.8
% change from '90	10.3	9.2	5.6	11.4	9.2	12.7
1992:1	601.4	1408.7	2239.3	2220.3	819.5	1400.8
2	608.5	1432.3	2265.4	2270.6	827.6	1443.0
3	626.3	1464.1	2317.2	2295.9	843.2	1452.7
4	631.5	1487.6	2432.5	2316.9	860.9	1456.0
YEAR	616.9	1448.2	2313.6	2275.9	837.8	1438.1
% change from '91	11.5	7.9	8.3	9.7	10.3	9.4

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+ .37%	State Local Purch.
+ .07%	Gross Private Domestic Invest.
+ .02%	GNP
+ .01%	Federal Govt. Purch.
- .07%	Personal Cons. Expend.
- 1.83%	Net Exports

KEDI's ESTIMATE OF THE 1990:2 GNP SHOWS A GROWTH RATE OF 2%, SLIGHTLY ABOVE THE 1990:1 GROWTH RATE.

This is due mainly to the following factors: strong growth of exports, recuperation of car manufacurers in June, improved performance of the housing segment, and growth of inventories.

The first estimate of real GNP, Income and components for the second quarter of this year will be released around July 27 or later, after the release of this issue. KEDI's estimate of GNP and Income for 1990:2 is, therefore, based on data for the past two months and early indicators for June.

Estimated data for other components of the GNP show moderate increases in personal consumption, sluggish business capital outlays, and slow gains in the Government sector.

Putting all pieces together, results indicate a slow, but persistent, growing economy in the second quarter of this year.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross National Product					
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4143.6	2670.3	720.5	-52.9	337.2	468.7
1990:1	4193.4	2705.0	705.4	-33.6	339.2	477.4
2	4218.3	2711.9	714.9	-31.0	343.0	479.5
3	4248.8	2723.3	726.4	-30.2	347.2	482.1
4	4287.9	2756.0	724.0	-28.5	350.7	485.7
YEAR	4237.1	2724.1	717.7	-30.8	345.0	481.2
% change from '89	2.3	2.0	-.4	-41.7	2.3	2.7
1991:1	4317.3	2773.6	729.6	-27.1	352.8	488.4
2	4342.0	2788.2	736.0	-26.0	354.2	489.6
3	4375.9	2809.3	741.3	-24.2	357.5	492.0
4	4398.1	2824.4	745.8	-24.4	360.5	491.8
YEAR	4358.3	2798.9	738.2	-25.4	356.2	490.4
% change from '90	2.9	2.7	2.9	-17.5	3.3	1.9
1992:1	4438.8	2852.8	750.8	-23.5	362.2	496.5
2	4467.6	2871.4	752.4	-20.6	365.1	499.3
3	4502.9	2887.4	757.2	-18.4	369.1	507.6
4	4539.8	2920.8	760.5	-23.1	371.2	510.4
YEAR	4487.3	2883.1	755.2	-21.4	366.9	503.4
% change from '91	3.0	3.0	2.3	-15.8	3.0	2.7

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+ 1.10%	Pers. Cons. Expend.
+ .23%	GNP
+ .02%	Federal Govt. Purch.
- .14%	State Local Purch.
- .21%	Consumer Price Index
- 2.56%	Producer Price Index

THE OUTLOOK FOR PRICES, IN GENERAL, IS NOT TOO BAD, BUT IT IS NOT TOO ROSY EITHER. ALL MAJOR INDICATORS SHOW THAT THE SLOW DOWN IN PRICE INCREASES WILL CONTINUE IN THE NEAR FUTURE THOUGH AT A VERY SLOW PACE.

When measuring the rate of inflation by the GNP price deflator, forecast data call for a 4.2% increase this year and 4.1% next year. Measured by the CPI, which samples prices of approximately two-thirds of the GNP, prices are expected to rise by 4.4% and 4.3% in 1990 and 1991, respectively. The Producer Price Index will increase by 3.9% and 3.7% in respective years.

The international outlook for prices of imported commodities is optimistic in the 1990-1991 period.

No significant hikes in prices of oil and crude materials and supplies are foreseen.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.5	126.6	128.3	119.5	134.8
1990:1*	128.0	112.8	129.7	134.3	123.1	138.9
2	128.9	114.3	131.4	136.8	123.8	140.9
3	130.3	115.6	132.9	139.1	124.3	142.7
4	132.1	117.2	134.4	140.6	124.9	143.9
YEAR	129.8	115.0	132.1	137.7	124.0	141.6
% change from '89	4.7	1.3	4.3	7.3	3.8	5.0
1991:1	134.1	118.4	135.0	141.3	126.4	145.1
2	135.2	120.8	136.4	143.0	127.9	146.0
3	136.0	121.9	138.1	145.5	128.9	147.5
4	136.8	123.6	139.0	146.3	129.9	149.4
YEAR	135.5	121.2	137.1	144.0	128.3	147.0
% change from '90	4.4	5.4	3.8	4.6	3.4	3.8
1992:1	138.2	124.5	141.0	149.0	131.1	150.9
2	139.0	126.0	142.1	150.0	132.8	152.9
3	141.0	128.1	144.0	152.6	133.7	154.3
4	142.1	129.9	146.3	155.8	134.0	154.3
YEAR	140.1	127.1	143.3	151.9	132.9	153.1
% change from '91	3.4	4.9	4.5	5.4	3.6	4.1

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*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+	.53%	State Local Purch.
+	.42%	Gross Private Dom. Inv.
+	.24%	GNP
+	.21%	Personal Cons. Expend.
-	.15%	Net Exports
-	.29%	Federal Govt. Purch.

EXPORTS, CONSUMER SPENDING AND BUSINESS CAPITAL OUTLAY ARE THE THREE MAIN FACTORS THAT WILL PROPEL THE NOMINAL GNP--AND REAL GNP AS WELL--FOR THE REST OF THIS YEAR AND IN 1991-1992.

Exports are expected to continue to grow strongly in the second half of this year as well as in 1991 and beyond. Data do not point to any significant downturn in the US exports due to the high international value of the dollar, which is assumed to remain at the current level throughout the forecast period. Main factors contributing to increases in the US exports are the overseas demand for agricultural prod;ucts, some industrial supplies, mainly paper and products and chemicals; capital goods, especially engines, aircraft, drilling and mining equipment, semiconductors, machine tools, and scientific, medical and hospital equipment; and consumer durables.

The other two factors, consumer and business capital outlays, are expected to continue growing moderately, without any downturn, this year and in 1991-1992.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----------Gross National Product					---------------*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5233.4	3372.6	773.3	-47.7	402.1	633.9
1990:1	5441.2	3639.2	761.4	-40.1	412.8	667.9
2	5542.8	3709.5	766.3	-33.2	424.6	675.6
3	5646.7	3787.5	769.3	-29.7	431.6	688.0
4	5762.9	3876.0	778.4	-28.4	438.0	698.9
YEAR	5598.4	3753.1	768.8	-32.9	426.8	682.6
% change from '89	7.0	11.3	-.6	-31.1	6.1	7.7
1991:1	5828.4	3917.7	782.3	-26.3	445.9	708.7
2	5922.5	3987.5	792.3	-25.1	453.0	714.8
3	6043.1	4086.7	794.1	-24.2	460.8	725.7
4	6113.4	4133.3	800.2	-23.2	468.3	734.7
YEAR	5976.8	4031.3	792.2	-24.7	457.0	721.0
% change from '90	6.8	7.4	3.0	-24.8	7.1	5.6
1992:1	6258.7	4249.4	805.4	-20.2	474.8	749.2
2	6348.5	4306.2	813.6	-19.6	484.9	763.4
3	6484.2	4407.6	818.4	-18.5	493.5	783.2
4	6641.7	4551.6	824.6	-19.4	497.4	787.5
YEAR	6433.3	4378.7	815.5	-19.4	487.6	770.9
% change from '91	7.6	8.6	2.9	-21.4	6.7	6.9

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990 FORECAST DATA

Percent Change from June 1990 Forecast

0.00%	Population
0.00%	Agriculture
- .14%	Total employed
- .14%	Non Agriculture
- .22%	Civilian Labor Force
- .43%	Unemployment

THE EMPLOYMENT OUTLOOK IS OPTIMISTIC CALLING FOR 1.4 MIL. NEW JOBS THIS YEAR, 1.7 MIL. IN 1991 AND 1.5 MIL. IN 1992.

Forecast of civilian employment rate shows averages of 5.22%, 5.20%, and 5.23% for respective 1990, 1991, and 1992.

The majority of the labor force is expected to be absorbed by the service producing industries, mainly by health care and related services, hotels, motels, fast foods and business and consumer services.

This year's weaknesses in the labor market will come from the construction industry, rubber, oil extraction, and stone, clay, glass and earth minerals industrires.

The outlook for 1991 is fairly good partically in all major labor markets with more adequate spreads of supplies of labor, but with continuous weaknesses in supplies of skilled labor in most of the manufacturing industries.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------*			Unemployment rate
			Total	Agricult.	Non-agric.	
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	254.3	122.7	115.2	3.2	113.6	5.29
1990:1	259.4	125.6	119.1	3.2	115.9	5.21
2	260.3	126.0	119.4	3.2	116.2	5.27
3	262.2	126.2	119.5	3.2	116.3	5.23
4	262.9	127.1	120.4	3.2	117.2	5.26
YEAR	261.2	126.2	119.6	3.2	116.4	5.27
% change from '89	2.7	2.9	2.7	0.0	2.5	-.4
1991:1	263.4	128.0	121.3	3.2	118.1	5.24
2	264.5	128.4	121.7	3.2	118.5	5.22
3	265.1	129.2	122.5	3.2	119.3	5.20
4	266.4	130.1	123.3	3.2	120.1	5.23
YEAR	264.9	128.9	122.2	3.2	119.0	5.22
% change from '90	1.4	2.1	2.2	0.0	2.2	-.85
1992:1	267.3	130.7	123.9	3.2	120.7	5.20
2	268.4	131.4	124.6	3.2	121.4	5.21
3	269.2	132.2	125.3	3.2	122.1	5.20
4	269.2	133.0	126.1	3.2	122.9	5.22
YEAR	268.5	131.8	125.0	3.2	121.8	5.21
% change from '91	1.4	2.2	2.3	0.0	2.3	-.29

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+13.84%	Multiple Family Housing Starts
+ 8.40%	Permits Issued
+ 1.24%	Single Family housing starts
- .02%	1-family housing new
- .02%	1-family housing existing
- .50%	Mobile Home Shipments

SALES OF NEW SINGLE-FAMILY HOMES ROSE FOUR-TENTHS OF ONE PERCENT IN MAY, THE FIRST GAIN IN SIX MONTHS, AFTER A 5.2% DECLINE IN APRIL.

Still, the May sales were the lowest since December 1982.

Forecast data indicate flatness in sales will prevail for the rest of this year. The expected slight declines in prices of newly-built homes and small declines in mortgage rates are not expected to become a significant stimulant for increasing the home-building activity.

The outlook for housing in 1991 is brighter. Data for single-family starts show a significant renewal of activity in this segment from this year's depressed levels, and very good in 1992.

The apartment housing is expected to recuperate in 1991 and to perform strongly in the following years.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home ship-ments mil.	Permits author-ized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1989*	1.003	.373	.198	1.341	148.5	118.0
1990:1*	1.059	.398	.202 P	1.414 P	155.3 P	124.1 P
2	1.024	.302	.210	1.267	157.0	127.3
3	1.089	.320	.221	1.243	163.9	129.2
4	1.076	.296	.210	1.214	164.5	130.5
YEAR	1.062	.329	.211	1.284	160.2	127.8
% change from '89	5.9	-11.8	6.4	-4.2	7.9	8.3
1991:1	1.072	.305	.209	1.213	168.4	134.0
2	1.113	.348	.238	1.371	170.8	135.6
3	1.269	.350	.232	1.453	175.0	138.7
4	1.011	.337	.229	1.247	177.2	140.1
YEAR	1.116	.335	.227	1.321	172.8	137.1
% change from '90	5.1	1.8	7.7	2.8	7.9	7.3
1992:1	1.265	.401	.224	1.272	180.3	143.2
2	1.307	.419	.246	1.343	184.5	145.8
3	1.354	.417	.249	1.471	187.2	148.1
4	1.301	.407	.230	1.328	190.3	152.3
YEAR	1.307	.411	.237	1.353	185.6	147.3
% change from '91	17.1	22.7	4.5	2.5	7.4	7.5

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+ 1.19%	Total Light Truck Sales
0.00%	Dealer Inventory
- .74%	Domestic Car Sales
- .77%	Total Car Sales
- .83%	Imported Car Sales
- 1.06%	Shipments

IN LATE JUNE, SALES OF NORTH AMERICAN-MADE CARS AND TRUCKS ROSE 11.9% TO THE MOST ROBUST PACE IN SIX MONTHS, SIGNALING THE SIGNS OF RELIEF TO AUTOMAKERS.

Though the 10 day sales period is not enough to warrant strong conclusions, it is a good signal that the automobile industry is getting out of the doldrums.

The outlook for Japanese-made cars in the USA, and care imported from Japan, show a constantly increasing share.

Counting the sales of cars produced in Japan and imported to the USA, and sales of cars manufactured in the USA by Japanese producers, Japan shares 29% of the total market this year, compared to 25% in 1989. This share is expected to increase to 30% in 1991 and further to 31% in the following year.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9	7.1	2.8	1.7	7.2	4.2
1990:1*	9.7	6.7	3.0	1.5	6.5	3.9
2	9.5	6.6	2.9	1.6	7.1	4.0
3	9.7	6.7	3.0	1.8	7.3	4.6
4	10.0	7.0	3.0	1.7	7.2	4.5
YEAR	9.7	6.8	3.0	1.7	7.0	4.2
% change from '89	-1.8	-4.9	6.3	0.0	-2.4	1.2
1991:1	10.1	7.1	3.0	1.8	7.4	4.4
2	10.3	7.2	3.1	1.7	7.5	4.7
3	11.0	7.8	3.2	1.7	7.6	4.7
4	10.6	7.6	3.0	1.8	7.8	4.8
YEAR	10.5	7.4	3.1	1.8	7.6	4.7
% change from '90	8.0	4.6	3.4	5.9	7.8	9.4
1992:1	10.2	7.1	3.1	1.7	7.7	4.6
2	10.6	7.4	3.2	1.8	7.6	4.8
3	11.3	8.2	3.1	1.8	8.0	4.9
4	10.9	7.7	3.2	1.9	7.7	4.6
YEAR	10.8	7.6	3.2	1.9	7.8	4.7
% change from '91	2.4	-.1	2.4	5.6	2.3	1.6

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*Historical data. R = Revised. P = Preliminary.

**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990 FORECAST DATA

Percent Change from June 1990 Forecast

+ .50%	Corporate Profit Tax Accrued
+ .23%	Federal Surplus Deficit
0.00%	State Corp. Tax Accrued
- .37%	Federal Income Tax
- .48%	State Surplus Deficit
- 1.39%	State Income Tax

RECENT ANNOUNCEMENTS ABOUT THE POSSIBLE CHANGES IN THE FEDERAL TAX LEGISLATION ARE STILL TOO EARLY AND NOT SPECIFIC ENOUGH TO ENABLE A REVISION OF FORECAST DATA FOR THE FEDERAL BUDGET AND THE ECONOMY AS A WHOLE.

Therefore, the KEDI forecast data for Federal receipts in 1991 and afterwards have been adjusted by a lump sum of $15 bil. of anticipated additional increases in Federal revenues.

The simulation of the impact of such a lump-sum increase has shown a main impact in the following areas:

* A slight, .2% additional increase in consumer prices.

* A general decrease of approximately half of one percent in interest rates, provided the Federal Reserve will be motivated enough to follow the lead and adopt a less restrictive monetary and credit policy.

However, it should be underscored that a more specific forecast of the impact of new tax legislation can only be made after more solid data is available upon which to base such a forecast.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

	FEDERAL			STATE AND LOCAL		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	460.4	105.1	-148.6 P	188.1	27.9	44.0
1990:1*	478.0	101.8 P	-137.4 P	195.5 R	30.1 P	44.9 P
2	484.2	106.7	-136.9	200.1	30.4	45.6
3	500.1	112.8	-126.1	205.8	31.1	47.0
4	509.2	120.5	-112.4	208.0	31.6	48.8
YEAR	492.9	110.5	-128.2	202.3	30.8	46.6
% change from '89	7.1	5.1	-13.7	7.6	10.4	5.9
1991:1	525.1	121.0	-90.3	209.5	32.0	49.7
2	529.3	123.7	-86.4	213.6	33.2	51.7
3	537.7	125.2	-82.5	220.8	34.3	52.3
4	548.6	128.4	-74.2	226.4	36.2	64.7
YEAR	535.2	124.6	-83.3	217.6	33.9	54.6
% change from '90	8.6	12.8	-35.0	7.5	10.1	17.2
1992:1	557.1	133.6	-71.3	228.5	37.6	55.0
2	566.3	135.4	-70.2	231.1	38.5	57.2
3	578.0	140.2	-64.6	238.5	39.9	60.4
4	585.2	143.0	-60.2	247.8	40.7	62.0
YEAR	571.6	138.1	-66.6	236.5	39.2	58.6
% change from '91	6.8	10.8	-20.1	8.7	15.5	7.4

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*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+	.20%	Personal Savings
+	.06%	Personal Disp. Income
+	.04%	Comp. of Employees
+	.02%	Corporate After Tax Profit
-	.03%	Personal Income
-	.07%	Average Weekly Earnings

QUARTERLY FORECAST DATA FOR PERSONAL INCOME AND COMPONENTS SHOW POSITIVE, THOUGH MODERATE, TRENDS THROUGHOUT THE FORECAST PERIOD.

Personal disposable income will grow faster than personal income. Deflated by the Consumer Price Index, the per capita Personal Disposable Income is expected to increase by 1.4% this year and by 1.7% in 1991.

Data on corporate profits indicate that the worst of the slump is over which took place in many industries last year. Back-to-normal conditions (except the troubled savings and loans), in the economy is not expected earlier than in 1991. Corporate profits with IVA are expected to increase to $289.6 bil. this year, up from last year's $272.0 bil., to $317.2 bil. in 1991.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4436.5	3782.1	3144.4	157.6	205.0	431.6
1990:1*	4634.7	3961.2	3282.3	151.3 P	215.5 P	434.4
2	4617.7	3933.4	3376.7	157.8	223.9	442.0
3	4720.8	4014.9	3474.4	164.9	227.4	451.3
4	4827.4	4110.2	3518.3	171.7	234.2	458.7
YEAR	4700.2	4004.9	3412.9	161.4	225.2	446.6
% change from '89	5.9	5.9	8.5	2.4	9.9	3.5
1991:1	5092.8	4358.2	3632.3	173.5	229.1	462.2
2	5169.8	4426.9	3687.2	177.3	224.7	463.6
3	5296.5	4538.0	3731.3	181.5	234.1	464.3
4	5358.4	4583.4	3801.1	183.6	229.5	470.3
YEAR	5229.4	4476.6	3713.0	179.0	229.3	465.1
% change from '90	11.3	11.8	8.8	10.9	1.8	4.1
1992:1	5494.4	4708.8	3883.2	190.3	235.7	476.3
2	5571.2	4773.8	3957.8	193.2	242.6	480.5
3	5699.6	4883.1	4040.8	198.4	247.3	486.7
4	5868.1	5035.1	4142.2	202.9	252.6	492.1
YEAR	5658.3	4850.2	4006.0	196.2	244.6	483.9
% change from '91	8.2	8.3	7.9	9.6	6.6	4.0

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
June 1990
Forecast

+	.40%	Consumer Install. Credit
+	.07%	Mortg at Savings Inst'ns
-	.14%	Large Denom. Time Deposits
-	.16%	Comm. & Indust. Loans at Banks
-	.20%	Consumer & Demand Deposits
-	.36%	Time Deposits

KEDI'S GENERAL OUTLOOK FOR THE U.S. FINANCIAL MARKETS IS OPTIMISTIC. DATA POINT TO A GRADUAL EASE IN PRESSURES ON MARKETS DUE MAINLY TO TWO FACTORS:

* Declining needs to finance Federal deficits.

* Increasing supply of funds to markets due to increasing retained earnings of the business sector.

Data show that these two factors, in 1991 and 1992, plus the inflow os funds from increasing surpluses of State and Local governments in those two years will have beneficial impact on conditions on financial markets.

KEDI simulation of the impact of recently-announced changes in the Federal tax legislation on financial markets has shown a possible general decrease in interest rate levels, provided the Federal Reserve will adopt, simultaneously, easier monetary and credit policies.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	564.3	584.9	3386.4
1990:1*	795.1	3248.8	723.2 P	571.0 P	598.7 P	3439.6 P
2	811.9	3350.8	723.9	572.1	609.7	3467.8
3	816.8	3372.5	737.7	573.7	618.8	3549.2
4	821.7	3489.5	759.8	574.1	630.0	3556.8
YEAR	811.4	3365.4	759.8	574.1	630.0	3556.8
% change from '89	3.7	7.8	6.9	5.3	7.7	5.0
1991:1	834.2	3498.2	774.2	580.3	641.3	3598.4
2	838.7	3599.3	789.1	583.8	650.2	3619.4
3	848.5	3696.4	796.8	585.4	661.5	3669.2
4	852.2	3789.8	816.7	589.0	684.8	3720.5
YEAR	843.4	3645.9	816.7	589.0	684.8	3720.5
% change from '90	3.9	8.3	7.5	2.6	8.7	4.6
1992:1	863.4	3844.5	828.3	593.5	683.2	3798.2
2	872.3	3917.9	837.5	594.6	685.7	3902.6
3	878.9	3994.2	842.7	596.8	689.3	3998.7
4	884.6	4048.1	866.6	599.6	714.0	4090.1
YEAR	874.8	3951.2	866.6	599.6	714.0	4090.1
% change from '91	3.7	8.4	6.1	1.8	4.3	9.9

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at ual rates.
R = Revised. P = Prelimin

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990 FORECAST DATA

Percent Change from June 1990 Forecast

+ 1.17%	Conv. Mortg. Rate
+ .79%	Aaa Corp. Bonds
+ .72%	20 Year Govt. Bond Yield
+ .39%	S & P's 500 Avg.
+ .10%	Treas. Bills 2 mo. Avg.
0.00%	Prime Rate

THERE IS MUCH STIMULATION TO URGE THE FEDERAL RESERVE TO START EASING MONETARY POLICIES IN THE NEAR FUTURE.

Though some minor declines in interest rates might occur in the near future, a more pronounced move by the Federal Reserve toward easing monetary and credit conditions is not anticipated until later this year.

It is assumed that the early July meeting of the Open Market Committee has taken the course toward lowering interest rates in the near future, but retained its' cautious stance agreed upon in the previous meeting in May.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR Unit	Treas. bills 3 mo. yield %	Prime rate %	Conv. mortg rate %	Aaa corp. bond rate %	30 yr. Govt. bonds yield %	S & P's 500 Avg 1941-43 = 10
Year & Qtr.						
1989*	8.12	10.74	9.69	9.26	8.45	323.05
1990:1*	7.76	10.00	9.76	9.24	8.35	336.47
2	7.74	10.00	9.59	9.63	8.61	342.18
3	7.48	10.00	9.44	9.60	8.34	348.27
4	7.41	9.82	9.13	9.75	8.20	352.27
YEAR	7.60	9.96	9.48	9.55	8.38	344.80
% change from '89	-6.4	-7.3	-2.2	3.2	-.9	6.7
1991:1	7.40	9.76	9.06	9.81	8.06	352.69
2	7.50	9.81	9.21	9.98	8.13	361.96
3	7.50	10.00	9.34	10.01	8.14	363.54
4	7.40	10.04	9.62	10.06	7.82	370.21
YEAR	7.45	9.90	9.31	9.96	8.04	362.10
% change from '90	-2.0	-.5	-1.8	4.3	-4.0	5.0
1992:1	7.51	10.14	9.65	10.04	7.89	373.12
2	7.80	10.25	9.89	10.12	8.08	380.21
3	8.04	10.50	10.02	10.31	8.02	384.71
4	8.16	10.75	10.46	10.25	8.14	383.56
YEAR	7.88	10.41	10.01	10.18	8.03	380.40
% change from '91	5.7	5.1	7.5	2.2	-.1	5.1

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, change in real personal disposable income in 1989 has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figure has been calculated from data in the Survey of Current Business, April 1990 issue, white pages (U. S. Department of Commerce, Washington, D.C., monthly).

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Real Personal Disposable Income
(% change of 1989 over 1988)
Actual figure: 3.6%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	2.9	-19.4
Prudential-Bache	12/88	3.7	+ 2.8
Merrill Lynch	12/88	2.6	-27.8
Blue Chip Indicators	12/88	2.4	- 5.6
Chrysler Corporation	12/88	1.6	-55.6
UCLA Forecasting Project	12/88	1.9	-47.2
KEDI, Inc.	12/88	3.7	+ 2.8
Morgan Guaranty	12/88	2.4	-33.3

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

August 1990

**KENT ECONOMIC
AND DEVELOPMENT
INSTITUTE, INC.**

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KEDI ECONOMIC SURVEY

August 1990

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SOURCES:

The U. S. Department of Commerce, revised estimates of 1990:1, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, August 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recently released data that indicate trends in the U.S. economy point to sluggish but moderate growth.

Prices

Producer prices for finished goods declined .1% in July. Expect the Mid-East crisis to push even higher in months ahead.

Employment & Labor

The civilian jobless rate jumped .3% to 5.5% in July. It has barely moved one way or the other in nearly two years.

Housing

Look for sluggishness the rest of this year with a gradual improvement in 1991 and fairly good performance in 1992.

Automobiles

Car inventories stood at a 50 day supply on July 31, well below the 60-65 day supply considered normal.

Budgets

It is clear that the deficit for the present fiscal year will surpass the $200 billion mark--first time since 1986.

Income

Personal income rose in June to a seasonally adjusted $4.640 trillion from a revised $4.623 trillion a month earlier.

Money & Credit

The outlook calls for sluggishness both in markets for money and markets for credit.

Interest Rates, Yields & Securities Prices

The anti-inflationary policy of the Fed would have been successful without the Mid-East crisis.

0.02 ASSUMPTIONS

	Last Update
1. In 1990, the weighted price of oil will increase as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2. Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in 1991.	March 1990
3. In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4. Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5. Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6. No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

* Table 0.00 on page 3 shows forecast data of selected indicators of the August 1990 KEDI forecast.	
* The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
* The upward trend will continue throughout 1990-1992.	January 1987
* Forecast data for 1990-1992 do not point to recession or major downturn.	January 1987
* In the second half of 1990 interest rates will be declining slightly.	April 1990
* Federal budget deficits will keep declining in in 1990 and the following years.	January 1987
* The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4117.7	4591.8	4720.3	4866.7
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	108.1	120.4	124.4	128.6
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.2	83.7	83.0
utiliz., p. 5	% change	.6	.2	-.6	-.8
Unemployment	%	5.2	5.2	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.6	1.6	1.6
starts, p. 5	% change	-5.8	4.1	-5.8	4.7
Car sales,	mil.units	10.1	10.8	11.1	11.6
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.3	149.2	154.6	159.7
price def.,p.11	% change	4.4	3.4	3.6	3.3
Consumer Price	1967=100	124.0	146.3	151.3	157.0
Index, p. 11	% change	4.7	3.5	3.4	3.8
Prod.Price Index	1967=100	113.5	135.0	140.4	145.9
(fin.goods),p.11	% change	5.1	4.3	4.0	3.9
Federal Deficit	bil. $	-145.7	-49.8	-39.7	-32.2
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4384.3	6097.0	6517.7	7026.1
p. 23	% change	9.0	7.6	6.9	7.8
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	918.6	973.7	1033.1
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2431.2	2599.0	2788.7
p. 7	% change	5.5	7.8	6.9	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

+ .14%	Index Indust. Prod.
0.00%	Unemployment
0.00%	Autos
- .69%	Capacity Util.
- .81%	GNP
- 4.75%	Private Housing Starts

RECENTLY RELEASED DATA THAT INDICATE TRENDS IN THE U.S. ECONOMY FOR MONTHS AHEAD, POINT TO A SLUGGISH BUT CONTINUOUS MODERATE GROW, DESPITE THE MID-EAST CRISIS:

* The indicator most likely to kick-start a recession--consumer spending increased in July, and is expected to continue increasing: no "consumer pause" is forecasted, and, therefore, no consumer-induced recession is in sight

* The Index of Industrial Production for July levelled off after rising for two preceding months. Excluding volatile motor vehicles, Index rose by .2% - indicator of factors, orders for durables, machine tool orders, leading indicator's, and purchasing managers index for July show mixed signals, pointing, in general, to a sluggish growth in months ahead

* Data on business capital outlays indicate that businesses are likely to continue investing in new machinery and equipment strong demand for US exports is expected to tontinue for the rest of this year and afterwards

Summing up: increasing moderately consumers' demand and capital outlays of businesses, strong exports performance, fairly good motor vehicle sales and factory orders; and sluggish construction point to a slow growth of the economy in months ahead without indication of recession or a major downturn.

Data point to the conclusion that no recession is in sight, with the only victims of the Mid-East crisis appearing to be the Federal budget with higher deficits, and consumers paying higher prices.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GNP	Index of ind. prod.	Unem- ployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$82 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1989*	4117.7	108.1	5.29	84.0	1.376	9.9
1990:1*	4150.6	108.0	5.21	82.4	1.457	9.7
2	4163.2	109.6	5.27	82.6	1.215	9.4
3	4208.7	110.1	5.34	82.6	1.290	9.7
4	4287.9	111.7	5.26	84.1	1.372	10.0
YEAR	4202.6	109.8	5.27	82.9	1.3	9.7
% change from '89	2.1	1.6	-.4	-1.3	-3.1	-2.0
1991:1	4287.1	112.3	5.35	82.9	1.277	9.8
2	4312.2	112.8	5.31	83.0	1.431	10.3
3	4355.9	113.7	5.30	83.1	1.647	10.8
4	4373.1	114.0	5.28	83.2	1.348	10.6
YEAR	4332.1	113.2	5.31	83.0	1.426	10.4
% change from '90	3.1	3.0	.8	.2	6.9	7.0
1992:1	4418.8	115.1	5.26	83.4	1.516	9.2
2	4447.7	117.4	5.23	84.0	1.576	10.6
3	4487.9	118.0	5.20	84.4	1.661	11.3
4	4529.8	119.4	5.22	84.3	1.577	10.9
YEAR	4471.1	117.5	5.23	84.0	1.583	10.5
% change from '91	3.2	3.8	-1.6	1.2	11.0	1.2

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

- .03%	Retail Sales Durable
- .47%	Retail Sales Total
- .75%	Retail Sales Nondurable
- .75%	Pers. Con. Expend. Services
- 1.21%	Pers. Con. Expend. Nondurable
- 2.03%	Pers. Con. Expend. Durable

CONSUMER SPENDING ROSE A STRONG 1% IN JUNE, THE BIGGEST INCREASE SINCE JANUARY, AFTER REMAINING FLAT IN MAY AND EDGING UP .2% IN APRIL.

Data show that the second quarter of this year ended much stronger than it began, and that consumer spending, though slow, is not slugghish to the extent of being recessionary.

Forecast data indicate the positive trend in consumer outlays will continue. In the second half of this year, spending on durables notably motor vehicles and parts is expected to gain a bit when compared to the first quarter performance.

Spending on food will continue increasing moderately while outlays on services will gain significantly when compared to the first half of the year.

Forecast data of spending on textile and apparel are not too optimistic, a flat performance is predicted to prevail for the most of the second half of this year.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	474.6 R	1130.0 R	1845.5 R	1733.7	645.6	1088.2
1990:1*	492.1 R	1174.7 R	1921.3 R	1824.4 P	678.3 P	1146.1 P
2	479.6 P	1171.6 P	1968.4 P	1841.0	692.0	1149.0
3	489.9	1231.3	2017.0	1842.7	700.4	1142.3
4	505.2	1279.7	2120.8	1905.4	710.5	1194.9
YEAR	491.7	1214.3	2006.9	1853.4	695.3	1158.1
% change from '89	3.6	7.5	8.7	6.9	7.7	6.4
1991:1	519.3	1286.2	2117.7	1928.6	730.4	1198.2
2	530.2	1292.4	2164.7	2014.2	744.5	1269.7
3	556.5	1329.3	2209.6	2102.9	763.3	1339.6
4	580.7	1337.2	2231.7	2132.3	800.1	1332.2
YEAR	546.7	1311.3	2180.9	2044.5	759.6	1284.9
% change from '90	11.2	8.0	8.7	10.3	9.2	11.0
1992:1	595.4	1388.7	2278.8	2200.4	819.5	1380.9
2	605.5	1412.3	2326.8	2250.1	827.6	1422.5
3	626.3	1441.1	2357.8	2275.9	843.2	1432.7
4	631.5	1470.6	2454.5	2294.9	860.9	1434.0
YEAR	614.7	1428.2	2354.5	2255.3	837.8	1417.5
% change from '91	12.4	8.9	8.0	10.3	10.3	10.3

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1989
FORECAST
DATA

Percent Change from July 1990 Forecast

+23.86%	Net Exports
- .25%	Federal Govt. Purch.
- .57%	Gross Private Dom. Inv.
- .69%	Personal Cons. Expend.
- .72%	State & Local Purch.
- .81%	GNP

BY THE US DEPARTMENT OF COMMERCE LATE JULY REPORT (FIRST ESTIMATE), REAL GNP IN THE SECOND QUARTER GREW BY 1.2%--A MUCH BETTER RATE THAN MANY ANALYSTS EXPECTED.

The outlook for the rest of the year is a bit more optimistic. Forecast data indicate the economy will grow by 1.9% rate in the third quarter, and accelerate to 2.4% in the last quarter of this year.

Forecast data of GNP in this year, in 1991 and beyond do not indicate a recession defined as two quarters of consecutive declines of GNP.

Forecast shows that the major factor of the growth--consumer spending will keep expanding in the second half of this year and in the following years.

Data on business capital outlays, Federal and State and local expenditures, and net exports also show a moderate upward trend for the 1990-1992 period and beyond. Sluggishness in the residential construction segment is expected to prevail this year and in 1991.

In summary, components of real GNP which make almost 90% of the total, show no signs of recession, this year and beyond.

TABLE 1.13
REAL GNP

Quarterly data are seasonally adjusted at annual rates.

	-----------Gross National Product---------------					
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4117.7 R	2656.8 R	716.9 R	-54.1 R	334.9 R	463.2 R
1990:1	4150.6 R	2667.3 R	700.7 R	-35.4 R	333.0 R	475.0 R
2	4163.2 P	2675.2 P	714.3 P	-46.5 P	345.0 P	475.2 P
3	4208.7	2701.4	718.6	-38.2	347.8	479.1
4	4287.9	2767.2	720.8	-32.5	350.7	481.7
YEAR	4202.6	2705.3	713.6	-38.1	344.1	477.8
% change from '89	2.1	1.8	-.5	-29.5	2.8	3.1
1991:1	4287.1	2748.0	729.4	-29.6	352.9	486.4
2	4312.2	2769.9	729.4	-29.6	352.9	489.6
3	4355.9	2790.3	741.3	-24.2	357.5	491.0
4	4373.1	2798.4	745.8	-24.4	360.5	492.8
YEAR	4332.1	2776.7	736.5	-26.9	355.9	489.9
% change from '90	3.1	2.6	3.2	-29.4	3.4	2.6
1992:1	4418.8	2832.8	750.8	-23.5	362.2	496.5
2	4447.7	2851.5	752.4	-20.6	365.1	499.3
3	4487.9	2872.4	757.2	-18.4	369.1	507.6
4	4529.8	2910.8	760.5	-23.1	371.2	510.4
YEAR	4471.1	2866.9	755.2	-21.4	366.9	503.4
% change from '91	3.2	3.2	2.5	-20.6	3.1	2.8

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

+ .83%	Producer Price Index
+ .25%	Consumer Price Index
- .06%	GNP
- .12%	State Local Purch.
- 1.07%	Pers. Cons. Expend.
- .69%	Federal Govt. Purch.

IN JULY, PRODUCER PRICES FOR FINISHED GOODS DECLINED .1%, TEMPORARILY, SINCE THE MID-EAST CRISIS WILL PUSH THEM UP IN COMING MONTHS.

The July drop in prices, the first decline since April, was led by a .5% drop in the cost of energy, the sixth consecutive monthly decline. The price of energy had fallen steadily since January, when it soared 13.7%.

Consumer prices rose by .4%, driven mainly by increases in medical costs and food.

KEDI forecast data on the impact of the Mid-East crisis show adding .3 percentage point to PPI and .1 percentage point to CPI in August. For September, additional .2 and .3 percentage points for PPI and CPI, respectively, are expected.

In summary, higher prices of energy and their spillover effect are expected to add .6% to the PPI and .5% to the CPI this year.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--*		*-------Price deflators--------*			
	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.5	126.3 R	126.3 R	119.4 R	135.1 R
1990:1*	128.0	112.8	129.5 R	134.0 R	123.3 R	138.9
2	128.9	114.3	130.9 P	135.3 P	121.9 P	140.2 P
3	130.8	116.8	132.9	138.4	123.3	142.7
4	132.8	119.9	134.8	141.1	124.1	143.9
YEAR	130.1	116.0	132.0	137.2	123.2	141.4
% change from '89	4.9	2.2	4.5	8.6	3.1	4.7
1991:1	134.8	120.7	136.0	142.8	126.8	145.1
2	135.9	123.1	137.3	144.0	127.9	146.0
3	136.8	124.3	138.9	146.8	128.9	147.5
4	137.6	125.6	140.2	148.3	129.9	149.4
YEAR	136.3	123.4	138.1	145.4	128.4	147.0
% change from '90	4.7	6.4	4.6	6.0	4.2	3.9
1992:1	139.1	127.2	142.0	150.5	131.8	150.9
2	140.8	128.3	143.6	152.4	132.8	152.9
3	142.0	130.4	144.9	154.1	134.0	154.3
4	143.5	131.9	146.8	156.5	134.8	154.3
YEAR	141.3	129.5	144.3	153.4	133.4	153.1
% change from '91	3.7	4.9	4.5	5.4	3.9	4.1

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*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

- .09%	Gross Private Dom. Inv.
- .69%	Federal Govt. Purch.
- .86%	GNP
- 1.02%	State Local Purch.
- 1.07%	Personal Cons. Expend.
- 7.98%	Net Exports

FACTORS EXPECTED TO PROPEL THE ECONOMY IN THE REST OF THIS YEAR AND BEHOND ARE THE CONSUMER DEMAND, BUSINESS CAPITAL OUTLAYS, AND STRONG EXPORTS.

The first estimate of the second quarter nominal GNP and components points to a slow growth of the economy in the rest of this year.

Data show the second quarter of this year to be the weakest: forecast for the third quarter of this year show a slightly better performance. The outlook for the fourth quarter indicates the further acceleration in the growth of the economy.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

	*-----------Gross National Product				---------------*
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5200.8 R	3450.1 R	771.2 R	-46.1 R	400.0 R	625.6 R
1990:1*	5375.4 R	3588.1 R	747.2 R	-30.0 R	410.6 R	659.6 R
2	5451.6 P	3619.5 P	772.4 P	-27.0 P	420.7 P	666.0 P
3	5593.4	3738.2	774.3	-31.7	428.8	683.7
4	5780.1	3905.7	778.4	-32.4	435.2	693.2
YEAR	5550.1	3712.9	768.1	-30.3	423.8	675.6
% change from '89	6.7	7.6	-.4	-34.3	6.0	8.0
1991:1	5830.5	3923.2	782.3	-28.3	447.5	705.8
2	5920.7	3987.3	792.3	-25.1	451.4	714.8
3	6050.3	4095.4	794.1	-24.2	460.8	724.2
4	6131.1	4149.6	800.2	-23.2	468.3	736.2
YEAR	5983.1	4038.9	792.2	-25.2	457.0	720.3
% change from '90	7.8	8.8	3.1	-16.8	7.8	6.6
1992:1	6274.7	4262.9	805.4	-20.2	477.4	749.2
2	6386.9	4344.6	813.6	-19.6	484.9	763.4
3	6503.0	4425.2	818.4	-18.5	494.6	783.2
4	6649.7	4556.6	824.6	-19.4	500.4	787.5
YEAR	6453.6	4397.3	815.5	-19.4	489.3	770.9
% change from '91	7.9	8.9	2.9	-22.9	7.1	7.0

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

THE CIVILIAN JOBLESS RATE, WHICH HAS BARELY MOVED ONE WAY OR THE OTHER FOR NEARLY TWO YEARS, JUMPED .3% TO 5.5% IN JULY.

This increase was mainly due to the drop in employment of construction workers, a slight decline in the number of manufacturing employment and a slowdown in growth of number of new employees in the health-service industry.

Forecast data for the rest of this year point to the average of 5.4% unemployment rate. It is expected that the number of employees in manufacturing and construction will remain flat, while increases in the service producing sectors, notably the health-oriented segments will continue to proceed at their normal pace of the first half of this year.

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

+ .02%	Civilian Labor Force
0.00%	Population
0.00%	Agriculture
0.00%	Unemployment
- .06%	Total Employed
- .24%	Non Agriculture

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	254.3	122.7	115.2	3.2	113.6	5.29
1990:1	259.4	125.6	119.1	3.2	115.9	5.21
2	260.3	126.0	119.4	3.2	116.2	5.27
3	262.2	126.2	119.5	3.2	116.3	5.34
4	262.9	127.1	120.4	3.2	117.2	5.26
YEAR	261.2	126.2	119.5	3.2	116.3	5.27
% change from '89	2.7	2.9	2.7	0.0	2.4	-.4
1991:1	263.4	128.0	121.2	3.2	118.0	5.35
2	264.5	128.4	121.6	3.2	118.4	5.31
3	265.1	129.2	122.4	3.2	119.2	5.30
4	266.4	130.1	123.2	3.2	120.0	5.28
YEAR	264.9	128.9	122.1	3.2	118.9	5.31
% change from '90	1.4	2.1	2.1	0.0	2.2	.76
1992:1	267.3	130.7	123.8	3.2	120.6	5.26
2	268.4	131.4	124.5	3.2	121.3	5.23
3	269.2	132.2	125.3	3.2	122.1	5.20
4	269.2	133.0	126.1	3.2	122.9	5.22
YEAR	268.5	131.8	124.9	3.2	121.7	5.23
% change from '91	1.4	2.2	2.3	0.0	2.4	-1.55

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

0.00%	1-family housing New
- .78%	1-family housing existing
- .83%	Mobile Home shipments
- 1.69%	Permits Issued
- 2.43%	Multiple Family Housing starts
- 4.66%	Single Family Housing starts

THE OUTLOOK FOR HOUSING CALLS FOR SLUGGISHNESS THROUGH THE BALANCE OF THIS YEAR, A GRADUAL IMPROVEMENT THROUGHOUT 1991 AND FAIRLY GOOD PERFORMANCE IN 1992.

Construction of new homes fell for sixth straight month in July by 2.4% from June and was 19.4% lower tthan in July 1989. Building of single-family homes fell 1.4% while apartment building was down 6.5%.

Building permits fell 2.6% to a seasonally adjusted rate of 1.08 mil. after rising 4% in June.

Forecast data indicate that housing, in these months has reached the bottom of the cycle. No further significant declines in housing starts are expected in coming months, but not major gains either.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR Unit	Single family housing starts mil.	Multi-family housing starts mil.	Mobile home shipments mil.	Permits authorized mil.	1-Fam. unit price new** tho. $	1-Fam. unit price exist** tho. $
Year & Qtr.						
1989*	1.003	.373	.198	1.341	148.5	118.0
1990:1*	1.059	.398	.202	1.414	155.3	124.1
2	.926	.289 P	.204	1.218 P	157.1 P	125.4 P
3	.989	.301	.221	1.203	163.9	127.2
4	1.076	.296	.210	1.214	164.5	130.5
YEAR	1.012	.321	.209	1.262	160.2	126.8
% change from '89	.9	-13.9	5.7	-5.9	7.9	7.5
1991:1	.972	.305	.209	1.114	168.4	134.0
2	1.103	.328	.238	1.271	170.8	135.6
3	1.169	.350	.232	1.353	175.0	138.7
4	1.011	.337	.229	1.247	177.2	140.1
YEAR	1.064	.330	.227	1.246	172.8	137.1
% change from '90	5.1	2.8	8.5	-1.3	7.9	8.1
1992:1	1.165	.351	.224	1.172	180.3	143.2
2	1.207	.369	.246	1.243	184.5	145.8
3	1.254	.407	.249	1.471	187.2	148.1
4	1.201	.376	.230	1.328	190.3	152.3
YEAR	1.207	.376	.237	1.304	185.6	147.3
% change from '91	13.4	13.9	4.5	4.6	7.4	7.5

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990 FORECAST DATA

Percent Change from July 1990 Forecast

0.00%	Dealer Inventory
0.00%	Total Car Sales
- .83%	Imported Car Sales
- 1.10%	Domestic Car Sales
- 1.19%	Light Truck Sales
- 2.86%	Shipments

AS OF JULY 31, NEW CAR INVENTORIES STOOD AT A 50 DAY SUPPLY--LOWEST SINCE SEPTEMBER 1986, AND WELL BELOW THE 60-65 DAY SUPPLY CONSIDERED A NORMAL LEVEL IN THE INDUSTRY.

The third-quarter production of 10 automakers who build cars in the USA is expected to increase to 1.522 mil. cars, 9% above the production in the third quarter of 1989.

The forecast of the third-quarter production of trucks and vans is also optimistic. For 1990:3 it is expected that 6.5% more cars will be built than in 1989:3.

Data for the fourth quarter of this year are positive for both categories of vehicles. Data do not indicate any major downturn in production and sales. Moderate, upward trends are predicted, without any significant negative impact of the Mid-East crisis.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9	7.1	2.8	1.7	7.2	4.2
1990:1*	9.7	6.7	3.0	1.5	6.5	3.9
2	9.4 P	6.5	2.9	1.5	6.9	4.0
3	9.7	6.7	3.0	1.6	6.8	4.4
4	10.0	7.0	3.0	1.6	7.0	4.3
YEAR	9.7	6.7	3.0	1.7	6.8	4.2
% change from '89	-2.0	-5.3	6.3	0.0	-5.6	-1.2
1991:1	9.8	6.8	3.0	1.7	7.3	4.4
2	10.3	7.2	3.1	1.6	7.4	4.7
3	10.8	7.6	3.2	1.7	7.6	4.7
4	10.6	7.6	3.0	1.8	7.7	4.8
YEAR	10.4	7.3	3.1	1.8	7.5	4.7
% change from '90	7.0	3.6	3.4	5.9	10.3	12.0
1992:1	9.2	6.1	3.1	1.7	7.7	4.6
2	10.6	7.4	3.2	1.7	7.6	4.8
3	11.3	8.2	3.1	1.8	8.0	4.9
4	10.9	7.7	3.2	1.8	7.7	4.6
YEAR	10.5	7.3	3.2	1.8	7.8	4.7
% change from '91	1.2	-1.2	2.4	0.0	3.3	1.6

*Historical data. R = Revised. P = Preliminary.

**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990 FORECAST DATA

Percent Change from July 1990 Forecast

+ 8.74%	Federal Surplus Deficit
+ .06%	Federal Income Tax
- .11%	State Income Tax
- .32%	State Corp. Tax Accrued
- .91%	State Surplus Deficit
- 5.02%	Corporate Profit Tax Accrued

WITH TWO MONTHS REMAINING TO THE END OF THIS FISCAL YEAR, IT IS CLEAR THAT THE DEFICIT FOR THIS YEAR WILL SURPASS $200 BILLION FOR THE FIRST TIME SINCE 1986.

For July, the Federal Budget deficit was $25.93 bil., more than $7 billion larger than in July 1989.

This increase in deficit was due mainly to costs connected with bailing out the failing savings and loans.

In July, tax receipts were higher by 4.3% than those in July last year, while expenditures run by 7.8% higher.

The latest White House forecast of the deficit in fiscal year 1991 calls for $232.2 bil., which includes the bail-out of savings and loan associations, but does not include the impact of the Mid-East crisis.

If the Gramm-Rudman mechanism would be applied, it would mean budget cuts of 30-35% in the fiscal year 1991. It is clear that both Congress and White House will prevent cuts of such magnitude to take place. It is anticipated that in coming months the Gramm-Rudman deficit-cutting goals will be significantly reduced.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL		----------*	*---STATE AND LOCAL		----*
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	460.4	105.1	-148.6	188.1	27.9	44.0
1990:1*	478.0	101.8	-138.4 P	195.2 R	30.1 P	44.9 P
2	484.7 P	100.7 P	-141.7 P	200.1	30.4	45.0
3	500.8	106.8	-145.1	205.0	31.0	47.0
4	509.2	110.5	-132.4	208.0	31.3	47.8
YEAR	493.2	105.0	-139.4	202.1	30.7	46.2
% change from '89	7.1	-.1	-6.2	7.4	10.0	4.9
1991:1	525.4	110.0	-121.3	206.5	32.0	49.7
2	529.3	120.7	-115.8	213.6	33.2	51.8
3	537.7	124.1	-110.3	220.8	34.3	52.3
4	548.6	125.4	-92.7	224.4	36.2	54.7
YEAR	535.2	120.0	-110.0	216.3	33.9	52.1
% change from '90	8.5	14.4	-21.1	7.1	10.5	12.9
1992:1	557.1	126.6	-57.6	228.5	37.6	55.1
2	568.3	130.4	-64.3	231.1	38.5	57.2
3	578.0	134.3	-60.7	238.5	39.9	60.4
4	585.2	140.0	-60.2	247.8	40.7	62.0
YEAR	572.1	132.8	-60.7	236.5	39.2	58.7
% change from '91	6.9	10.6	-44.8	9.3	15.5	12.6

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

+ 2.66%	Corporate After Tax Profit
- .15%	Average Weekly Earnings
- 1.08%	Personal Income
- 1.28%	Personal Disp. Income
- 1.75%	Comp. of Employees
- 5.18%	Personal Savings

PERSONAL INCOME ROSE IN JUNE TO A SEASONALLY ADJUSTED RATE OF $4.640 TRILLION FROM A REVISED $4.623 TRILLION A MONTH EARLIER.

Forecast data for Personal Income and its components do not show any significant aberrations due to the impact of the Mid-East crisis.

Forecast data on corporate profits reflect the imbalanced growth of segments of the economy in the second half of this year, squeeze on profits by rising wage-and-benefit costs, and rising prices of energy due to the oil crisis.

As shown in Table 1.6 on the following page, corporate after tax profits are expected to remain flat, in general, and will improve in 1991 in most segments of the economy. Significant increases are expected to take place in 1992.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4384.3 R	3725.5 R	3079.0 R	172.6 R	171.8 R	431.6
1990:1*	4562.8 R	3887.7 R	3182.8 R	167.1 R	191.3 R	434.4
2	4505.5 P	3820.7 P	3306.7 P	159.8 P	201.2 P	444.3
3	4671.4	3965.6	3404.4	164.2	227.4	449.3
4	4857.1	4139.9	3518.3	171.7	234.2	455.7
YEAR	4649.2	3953.5	3353.1	165.7	213.5	445.9
% change from '89	6.0	6.1	8.9	-4.0	24.3	3.3
1991:1	5077.7	4345.8	3632.3	173.5	229.1	458.3
2	5151.7	4408.8	3687.2	177.3	224.7	460.6
3	5289.3	4530.8	3731.3	181.5	234.1	464.3
4	5357.7	4584.7	3801.1	183.6	229.5	467.3
YEAR	5219.1	4467.5	3713.0	179.0	229.3	462.6
% change from '90	12.3	13.0	10.7	8.0	7.4	3.7
1992:1	5494.9	4709.3	3883.2	190.3	235.7	472.4
2	5600.4	4801.0	3957.8	193.2	242.6	476.5
3	5706.4	4889.9	4040.8	198.4	247.3	480.7
4	5863.7	5030.7	4142.2	202.9	252.6	490.1
YEAR	5666.4	4857.7	4006.0	196.2	244.6	479.9
% change from '91	8.6	8.7	7.9	9.6	6.6	3.7

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
July 1990
Forecast

+ .05%	Large Denom. Time Deposits
+ .04%	Consumer & Demand Deposits
- .11%	Time Deposits
- .18%	Comm. & Indust. Loans at Banks
- 1.18%	Consumer Install. Credit
- 1.42%	Mortg. at Savings Inst'ns

THE OUTLOOK CALLS FOR SLUGGISHNESS BOTH IN MARKETS FOR MONEY AND MARKETS FOR CREDIT.

In the rest of this year, money supply is expected to grow at around 3.5% for M1 and 8% for M2. It will accelerate a bit in the fourth quarter of this year, due to the anticipated relaxation of Federal Reserve monetary and credit policies.

Forecast data for the rest of this year for credit markets correspond to thos for money markets:

In the third quarter, a continuing slowdown in new consumer credit, mortgages, commercial and industrial loans, and corporate and municipal bonds, and heavy borrowing by the Federal Government.

The forecast for the fourth quarter of this year is more optimistic. It is expected that markets for consumer credit and business loans will show increasing demand and the stock market will stabilize and resume the upward trend.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2, s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	566.8 R	584.9	3386.4
1990:1*	795.1	3248.8	723.0 P	571.0 P	598.7 P	3439.6 P
2	810.9	3342.7	726.9	571.6	609.2	3417.8
3	817.8	3370.5	737.7	572.7	618.8	3509.2
4	823.2	3484.5	750.8	573.1	630.3	3506.2
YEAR	811.8	3361.6	750.8	573.1	630.3	3506.2
% change from '89	3.7	7.7	5.6	5.3	7.8	3.5
1991:1	836.2	3498.6	770.2	580.1	641.3	3598.4
2	838.7	3599.3	784.1	583.8	650.2	3619.4
3	849.5	3696.4	796.8	585.4	661.5	3669.2
4	854.2	3789.8	816.0	589.0	684.8	3720.5
YEAR	844.7	3646.0	816.0	589.0	684.8	3720.5
% change from '90	4.1	8.5	8.7	2.8	8.6	6.1
1992:1	865.3	3844.5	828.5	593.5	683.2	3798.2
2	846.3	3917.9	837.5	594.6	685.7	3902.6
3	884.9	3994.2	842.7	596.8	689.3	3998.7
4	889.6	4048.1	866.6	603.5	714.0	4040.1
YEAR	871.5	3951.2	866.6	603.5	714.0	4040.1
% change from '91	3.2	8.4	6.2	2.5	4.3	8.6

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*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990 FORECAST DATA

Percent Change from July 1990 Forecast

+ 2.68%	20 Year Govt. Bond Yield
+ 1.37%	Conv. Mortg. Rate
+ .95%	Treas. Bills 2 mo. Avg.
+ .13%	Prime Rate
- .37%	Aaa Corp. Bonds
- 2.54%	S & P's 500 Avg.

WITHOUT THE MID-EAST CRISIS, THE FEDERAL RESERVE'S GRADUALIST DISINFLATIONARY POLICY WOULD PROBABLY HAVE BEEN SUCCESSFUL IN KEEPING THE INFLATION IN CHECK.

Now, the Fed is caught in a bind between a course intended to dampen inflation at the expense of pushing the economy to a slow pace, and one that tries to avoid recession at the expense of making inflation worse.

It is anticipated that the combination of indicators of rising inflation numbers and sluggishness of the economy will preclude the Fed to take a decisive action to lower the interest rates soon. KEDI maintains its forecast of more pronounced drops in interest rates to take place in the fourth quarter of this year.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.12	10.74	9.69	9.26	8.45	323.05
1990:1*	7.76	10.00	9.76	9.24	8.35	336.47
2	7.74 p	10.00	9.81	9.63	8.61	344.19
3	7.68	10.00	9.64	9.54	8.76	320.25
4	7.51	9.89	9.23	9.65	8.70	343.25
YEAR	7.67	9.97	9.61	9.52	8.61	336.04
% change from '89	-5.5	-7.1	-.8	2.8	1.8	4.0
1991:1	7.48	9.76	9.26	9.51	8.36	350.61
2	7.50	9.81	9.31	9.78	8.23	354.90
3	7.51	10.00	9.34	10.01	8.14	360.51
4	7.40	10.04	9.62	10.04	7.82	370.21
YEAR	7.47	9.90	9.38	9.83	8.14	359.06
% change from '90	-2.6	-.7	-2.4	3.4	-5.4	6.8
1992:1	7.51	10.14	9.65	10.04	7.89	373.12
2	7.80	10.25	9.89	10.12	8.08	380.21
3	8.04	10.50	10.02	10.31	8.02	384.71
4	8.16	10.75	10.46	10.25	8.14	383.56
YEAR	7.88	10.41	10.01	10.18	8.03	380.40
% change from '91	5.4	5.1	6.6	3.5	-1.3	5.9

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, car sales (domestic and imported) in 1989 has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figure is in the Survey of Current Business, June 1990 issue, blue pages (U. S. Department of Commerce, Washington, D.C., monthly).

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Car Sales
(in mil. units)
Actual figure: 9.9

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	9.8	- 1.0
Prudential-Bache	12/88	10.5	+ 6.1
Merrill Lynch	12/88	10.0	+ 1.0
Blue Chip Indicators	12/88	9.8	- 1.0
Chrysler Corporation	12/88	10.3	+ 4.0
UCLA Forecasting Project	12/88	10.3	+ 4.0
KEDI, Inc.	12/88	10.4	+ 5.1
Morgan Guaranty	12/88	10.6	+ 7.1
Salomon Brothers	12/88	10.2	+ 3.0

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

September 1990

KENT ECONOMIC
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INSTITUTE, INC.

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KEDI ECONOMIC SURVEY

September 1990

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SOURCES:

The U. S. Department of Commerce, second estimates of 1990:2, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, September 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

The economy does not look as bad as some media and doomsayers are trying to depict.

Prices

In August, retail sales fell .6% to a seasonally adjusted $149.20 bil. from a revised $150.05 bil. in July.

Employment & Labor

At 5.6% in August, the unemployment rate was the highest since it reached that level in August 1988.

Housing

Housing starts fell 1.7% in August to the lowest level since the last recession eight years ago.

Automobiles

If the auto industry performs well, or relatively well as they are doing, why don't the doomsayers and media pay attention?

Budgets

KEDI forecast data incorporates the $50 bil. Federal budger deficit reduction in FY 1991, which begins October 1.

Income

In August, personal income grew by .3% in line with moderate but steady increases through the first half of this year.

Money & Credit

Tight conditions will prevail for most of the forecast period on money and credit markets.

Interest Rates, Yields & Securities Prices

KEDI does not predict that the Fed will take decisive action at this time to lower interest rates.

0.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2.	Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in 1991.	March 1990
3.	In 1990 and 1991 good crops in most of the main producing countries are anticipated.	January 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the September 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to recession or major downturn.	January 1987
*	In the second half of 1990 interest rates will be declining slightly.	April 1990
*	Federal budget deficits will keep declining in in 1991 and the following years.	January 1987
*	The 1989 export-import gap will start closing to a more acceptable level.	January 1987

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4117.7	4533.1	4660.1	4804.5
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	108.1	119.6	123.6	127.8
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.2	83.7	83.0
utiliz., p. 5	% change	.6	.2	-.6	-.8
Unemployment	%	5.2	5.3	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.5	1.4	1.5
starts, p. 5	% change	-5.8	4.1	-5.8	4.7
Car sales,	mil.units	10.1	10.8	11.1	11.6
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.3	151.4	157.0	162.2
price def.,p.11	% change	4.4	3.8	3.7	3.3
Consumer Price	1967=100	124.0	149.7	155.1	161.0
Index, p. 11	% change	4.7	3.7	3.6	3.8
Prod.Price Index	1967=100	113.5	139.4	144.9	150.6
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-145.7	1193.3	949.9	770.3
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4384.3	6129.8	6595.7	7136.5
p. 23	% change	9.0	7.8	7.6	8.2
Prime Rate	%	10.7	10.2	10.9	11.8
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	926.9	982.5	1042.5
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2412.3	2583.6	2772.2
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ 2.80%	Unemployment
+ 1.03%	Autos
- .09%	Index Indust. Prod.
- .24%	Capacity Util.
- .63%	Private Housing Starts
- .72%	GNP

THE ECONOMY DOES NOT LOOK AS BAD AS SOME MEDIA ARE TRYING TO DEPICT.

Some of the recently released forecasts support the view that the U.S. economy WILL NOT slide into a recession, are listed here:

* The Conference Board forecast of September 16: no recession this year or early next year

* The International Monetary Fund "World Outlook" forecast of September 19: the United States will avoid a recession next year and experience even faster growth than 1990

* The September Survey of the Federal Reserve of econimic conditions in its 12 districts has shown that the economic activity continues expanding though at a slow pace.

Recent data indicate that there is still enough underlying power in the economy to push the activity forward:

* The August output and sales of cars and trucks outpaced that of August 89. Automakers in the USA are planning to produce more in 1990:3 and 1990:4 than for the same quarters of last year.

* July machine tool orders surged far above the levels of preceeding months. The August orders for durables are expected to remain at the July level or just a bit below.

* August retail sales and industrial production dropped slightly compared to the July data--both are see here as temporary declines.

* July inventories in manufacturing remained within manageable levels.

* August help-wanted advertising and unemployment claims remained flat when compared to July data.

* The August decline in housing starts was the smallest, relative to declines in preceding months. Housing starts activities are considered to have reached the bottom or being near the bottom.

TABLE 1.11
SELECTED INDICATORS I.

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GNP	Index of ind. prod.	Unemployment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$82 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1989*	4117.7	108.1	5.29	84.0	1.376	9.9
1990:1*	4150.6	108.0	5.26	82.4	1.440 R	9.7
2	4152.8 P	109.6	5.27	82.5 R	1.196 R	9.6
3	4178.7	109.9	5.56	82.4	1.248	9.9
4	4207.9	111.3	5.58	83.5	1.283	10.0
YEAR	4172.5	109.7	5.42	82.7	1.3	9.8
% change from '89	1.3	1.5	2.4	-1.5	-6.1	-1.0
1991:1	4227.1	111.8	5.56	83.2	1.272	9.8
2	4252.2	112.4	5.54	83.0	1.324	10.3
3	4275.9	113.0	5.48	83.1	1.647	10.8
4	4313.1	113.7	5.47	83.2	1.348	10.6
YEAR	4267.1	112.7	5.51	83.1	1.398	10.4
% change from '90	2.3	2.8	1.8	.5	8.2	5.9
1992:1	4348.2	114.3	5.36	83.4	1.386	9.2
2	4387.7	116.0	5.33	84.0	1.476	10.6
3	4437.1	117.8	5.28	84.4	1.545	11.3
4	4482.8	118.7	5.26	84.3	1.478	10.9
YEAR	4413.9	116.7	5.31	84.0	1.471	10.5
% change from '91	3.4	3.5	-3.7	1.1	5.3	1.2

---

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ .95%	Pers. Con. Expend. Durable
- .47%	Pers. Con. Expend. Nondurable
- .55%	Retail Sales Durable
- .58%	Pers. Con. Expend. Services
- 1.32%	Retail Sales Total
- 1.72%	Retail Sales Nondurable

IN AUGUST, RETAIL SALES FELL .6% TO A SEASONALLY ADJUSTED $149.20 BIL. FROM A REVISED $150.05 BIL. IN JULY.

This is an insignificant decline, spread among car dealers, department stores, hardware and building-supply stores, and restaurants, while sales of furniture stores, gasoline stations, and grocery stores increased.

In September, and the following months, retail sales are expected to gain moderately, notably food stores, gasoline stations, home building, and furniture stores.

KEDI forecast data do not show any significant downward aberation in retail sales in coming months, and the forecast of record Christmas sales is maintained. It is anticipated that the double-digit declines in indexes of consumer confidence for August, compiled by the University of Michigan and the Conference Board have no direct correlation with the forecast data on retail sales.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondur-ables	Services	Total	Durables	Nondur-ables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	474.6	1130.0	1845.5	1733.7	645.6	1088.2
1990:1*	492.1	1174.7	1921.3	1796.4	663.6	1135.8
2	479.3 P	1178.7 P	1965.9 P	1799.3 P	689.4 P	1109.9 P
3	497.9	1221.3	2027.9	1830.2	698.4	1131.8
4	516.2	1259.7	2066.2	1889.6	714.5	1175.1
YEAR	496.4	1208.6	1995.3	1828.9	691.5	1138.2
% change from '89	4.6	7.0	8.1	5.5	7.1	4.6
1991:1	519.3	1276.2	2105.4	1918.6	723.3	1195.3
2	530.2	1292.4	2144.9	2004.2	734.5	1269.7
3	546.5	1319.3	2190.7	2062.9	743.3	1319.6
4	560.7	1337.2	2271.4	2102.3	781.1	1321.2
YEAR	539.2	1306.3	2178.1	2022.0	745.5	1276.5
% change from '90	8.6	8.1	9.2	10.6	7.8	12.2
1992:1	575.2	1358.7	2331.7	2200.8	809.2	1391.6
2	595.0	1382.5	2362.1	2220.1	817.5	1402.6
3	616.3	1411.1	2391.9	2255.2	833.2	1422.0
4	621.5	1430.6	2523.8	2274.9	860.9	1414.0
YEAR	602.0	1395.7	2402.4	2237.8	830.2	1407.5
% change from '91	11.7	6.8	10.3	10.7	11.4	10.3

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ 3.41%	Net Exports
- .09%	Federal Govt. Purch.
- .20%	State & Local Purch.
- .72%	GNP
- .83%	Pers. Cons. Expend.
- 1.78%	Gross Private Dom. Inv.

A COMPARISON WITH THE 1990:1 DATA DOES NOT SIGNAL ANY SIGNIFICANT DOWNWARD DEVIATION FROM THE GENERAL MODERATE UPWARD TREND.

Data of the third and final revision of GNP and components which will be published by the U.S. Department of Commerce after the release of this KES issue may deviate from data of the second revision. At the time of release of this KES issue, data of the third and final revision of GNP in 1990:2 have not been available. KEDI has revised the GNP second estimate by almost 1%. The growth rate of GNP in 1990:2, reported in this issue is .2%. Adjusted data show fairly good gains in personal consumption expenditures, decline in residential construction, slight increase in business capital formation, and a bit worse export-import gap.

TABLE 1.13
REAL GNP

Quarterly data are seasonally adjusted at annual rates.

	*-----------Gross National Product					---------------*
INDICATOR	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4117.7	2656.8	716.9	-54.1	334.9	463.2
1990:1*	4150.6	2667.3	700.7	-35.4	333.0	475.0
2	4162.8 P	2679.5 P	692.5 P	-39.9 P	346.4 P	474.5 P
3	4178.7	2695.1	698.6	-40.2	347.0	478.2
4	4207.9	2709.8	711.8	-42.1	348.7	479.7
YEAR	4172.5	2682.9	700.9	-39.4	343.8	476.9
% change from '89	1.3	1.0	-2.2	-27.2	2.7	2.9
1991:1	4227.1	2723.9	704.3	-38.6	352.9	484.6
2	4252.2	2739.5	707.4	-34.2	351.9	487.6
3	4275.9	2750.2	711.3	-29.2	354.5	489.1
4	4313.1	2777.4	717.8	-29.4	356.5	490.8
YEAR	4267.1	2737.8	710.2	-32.9	353.9	488.0
% change from '90	2.3	2.0	1.3	-16.6	3.0	2.3
1992:1	4348.2	2803.0	720.1	-27.5	360.1	492.5
2	4387.7	2827.8	723.4	-24.6	363.1	498.0
3	4437.1	2860.0	727.0	-21.2	365.2	506.1
4	4482.8	2897.5	730.5	-23.1	368.2	509.7
YEAR	4413.9	2847.1	725.2	-24.1	364.1	501.6
% change from '91	3.4	4.0	2.1	-26.6	2.9	2.8

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ 3.08%	Producer Price Index
+ .85%	Consumer Price Index
+ .23%	GNP
+ .22%	Federal Govt. Purch.
+ .09%	State & Local Purch.
- .08%	Pers. Cons. Expend.

IN AUGUST, CONSUMER PRICES ROSE BY .8% AT ANNUAL RATE AND PRODUCER PRICES BY 1.3% AT ANNUAL RATE FUELED BY SOARING OIL PRICES.

At the consumer price level, excluding energy, prices still rose .4%, indicating that the inflation problem persists, apart from the oil-price jolt.

At the producer price level, excluding energy, the PPI rose .5%.

Recent forecasts of prices of oil emphasize the upward trend this year. Data released by the International Monetary Fund call for the average price of $26 per barrel for the rest of 1990, which will come down to $21 by the fourth quarter of 1991. The official OPEC assumption is $21 to $25 for the rest of this year. Some private releases expect oil prices will range from $23 to $27 a barrel during the next 18 months, and may climb to $60 - $65 in case of war (New York Times, September 21, 1990, page D2).

On the positive side, the relatively bright spot is the moderation in wage increases that blunted some inflation fears. In August, average weekly earning of factory workers rose a modest .2% compared with the jump of 1% in July. Forecast data indicate this moderate trend in the wage component in prices will continue for the rest of this year and beyond.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--*		*-------Price deflators--------*			
	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.6 R	126.3	126.3	119.4	135.1
1990:1*	128.0	117.4 R	129.5	134.0	123.3	138.9
2*	129.3	117.5 R	131.0 P	135.3 P	121.8 P	140.1 P
3	132.8	119.9	133.5	139.2	123.9	143.0
4	134.7	123.5	135.2	141.9	124.9	144.1
YEAR	131.2	119.6	132.3	137.6	123.5	141.5
% change from '89	5.8	5.3	4.8	8.9	3.4	4.8
1991:1	136.8	124.7	136.8	143.3	127.6	146.0
2	138.2	125.8	138.0	145.0	128.7	147.0
3	139.8	127.2	139.9	147.6	129.9	148.9
4	142.3	127.8	142.0	150.3	131.6	150.8
YEAR	139.3	126.4	139.2	146.6	129.4	148.2
% change from '90	6.2	5.7	5.2	6.5	4.8	4.7
1992:1	143.8	129.9	143.8	152.3	133.5	152.7
2	144.9	131.1	144.9	153.6	134.1	154.9
3	145.8	133.9	146.0	154.7	135.8	157.1
4	143.0	136.5	148.7	158.1	137.0	159.2
YEAR	144.4	132.8	145.8	154.7	135.1	156.0
% change from '91	3.7	5.1	4.8	5.5	4.4	5.3

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*Historical data. R = Revised. P = Preliminary.

**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

- .11%	State & Local Purch.
- .33%	Federal Govt. Purch.
- .34%	Pers. Cons. Expend.
- .48%	GNP
- 2.28%	Gross Private Dom. Inv.
-11.14%	Net Exports

FORECAST OF NOMINAL GNP AND COMPONENTS INDICATES THAT CONSUMERS WILL CONTINUE CARRYING THE BURDEN OF KEEPING THE ECONOMY'S LONG EXPANSION GOING.

KEDI forecast of nominal consumer expenditures in the third and fourth quarters of this year show moderate gains of annualized 7.1% and 7.3%, respectively. No "consumer pause" is expected for the rest of this year and beyond. Forecast data that support the positive outlook for consumer behavior are the following: a continuous, though moderate, gains in the numbers of employed persons, persistent increases in personal disposable income, notably in its "compensation of employees" component, and strong increases in consumer installment credit which extend the consumers' purrchasing power.

Forecast data point to the major factor that will slow down the pace of the economy, namely the unfavorable figures of net exports due mainly to the Mid-east oil problems.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

	*-----------Gross National Product					---------------*
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5200.8	3450.1	771.2	-46.1	400.0	625.6
1990:1*	5375.4	3588.1	747.2	-30.0	410.6	659.6
2	5451.9 P	3623.9 P	750.5 P	-19.1 P	421.7 P	664.8 P
3	5578.6	3747.1	754.3	-28.4	421.7	683.8
4	5689.1	3842.1	750.4	-30.2	435.5	691.2
YEAR	5523.7	3700.3	750.6	-26.9	422.4	674.9
% change from '89	6.2	7.3	-2.7	-41.6	5.6	7.9
1991:1	5782.7	3900.9	752.3	-28.3	450.3	707.5
2	5868.0	3967.5	757.1	-26.2	452.9	716.8
3	5982.0	4056.5	764.1	-27.4	460.5	728.3
4	6124.6	4169.3	772.2	-26.2	469.2	740.1
YEAR	5939.3	4023.5	761.4	-27.0	458.2	723.2
% change from '90	7.5	8.7	1.4	.4	8.5	7.2
1992:1	6252.7	4265.6	778.5	-24.2	480.7	752.0
2	6357.8	4339.6	783.6	-23.7	486.9	771.4
3	6478.2	4419.3	788.4	-20.6	495.9	795.1
4	6665.9	4575.9	794.6	-20.5	504.4	811.4
YEAR	6438.6	4400.1	786.3	-22.2	492.0	782.5
% change from '91	8.4	9.4	3.3	-17.7	7.4	8.2

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ 2.80%	Unemployment
0.00%	Population
0.00%	Agriculture
- .79&	Civilian Labor Force
- 1.03%	Total Employed
- 1.06%	Non Agriculture

AT 5.6% IN AUGUST, THE UNEMPLOYMENT RATE WAS THE HIGHEST SINCE IT REACHED THAT LEVEL IN AUGUST 1988. IT HAS NOT BEEN HIGHER SINCE THE 5.7% RATE POSTED IN MARCH 1988.

These data have to be interpreted with caution since they are taken from a sample survey (the Households Survey). More precise data are reported in the payroll survey (The Establishment Survey released after the Households Survey) which usually point to a lower unemployment rate. For example, for July, the decline in the number of non-farm jobs, reported originally as 219 thousand has been revised, now, down to 89 thousand--a significant improvement when compared to the previously released data.

The unemployment outlook calls for a continuous expansion of the service producing segment of the economy for the rest of this year and beyond.

In 1989, this segment had continued to expand vigorously, adding new employees at an average of 171 thousand a month--4.2% increase over 1988. Forecast for this year calls for a 2.6% growth over 1989, a slower pace but still a significant gain.

The employment outlook for the goods-producing segments show flatness in durable manufacturing, small increases in nondurable manufacturing, and levelling off in construction.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	254.3	123.9 R	117.3 R	3.2	114.1	5.29
1990:1*	259.4	124.6 R	118.0 R	3.2	114.1 R	5.26
2*	260.3	124.9	118.2	3.2	115.0	5.27
3	262.2	125.4	118.4	3.2	115.2	5.56
4	262.9	125.9	118.9	3.2	115.7	5.58
YEAR	261.2	125.2	118.3	3.2	115.1	5.42
% change from '89	2.7	1.0	1.0	0.0	.8	2.4
1991:1	263.4	126.5	119.5	3.2	116.3	5.56
2	264.5	127.0	120.0	3.2	116.8	5.54
3	265.1	127.6	120.6	3.2	117.4	5.48
4	266.4	128.1	121.1	3.2	117.9	5.47
YEAR	264.9	127.3	120.3	3.2	117.1	5.51
% change from '90	1.4	1.7	1.6	0.0	1.8	1.75
1992:1	267.3	128.9	122.0	3.2	118.8	5.36
2	268.4	129.7	122.8	3.2	119.6	5.33
3	269.2	130.6	123.7	3.2	120.5	5.28
4	269.2	131.4	124.5	3.2	121.3	5.26
YEAR	268.5	130.2	123.2	3.2	120.0	5.31
% change from '91	1.4	2.2	2.3	0.0	2.5	-3.72

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990 FORECAST DATA

Percent Change from August 1990 Forecast

+ 6.39%	Multiple Family Housing Starts
- .60%	Mobile Home Shipments
- .39%	1-family housing existing
- .22%	1-family housing new
- 6.10%	Single Family Housing Starts
- 8.36%	Permits Issued

HOUSING STARTS FELL 1.7% IN AUGUST TO THE LOWEST LEVEL SINCE THE LAST RECESSION EIGHT YEARS AGO.

Housing construction has fallen from a peak in 1986, when 1.81 mil. units were started, to an annual rate of 1.13 mil. in August--the lowest level since the 1.05 mil. recorded in August 1982.

KEDI forecast indicates the August data on housing starts are at the bottom or near the bottom: the numbers may drift down a bit further, but to resume the upward trend to the end of this year.

The positive side of current trends in housing is seen in the following:
* In August, the overall drop in starts came exclusively from South, whill all other regions registered gains (Northeast: +8.2%; Middle West: +4.9%; and
* In August, the annual rate for single-family starts was 840 thousand units, far above the 737 thousand in October 1982 (a month before the end of the last recession);
* In August, multi-family starts rose 2.9%.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home shipments	Permits authorized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1989*	1.003	.373	.198	1.338 R	148.5	118.0
1990:1*	1.083 R	.357 R	.229 R	1.416	155.3	124.1
2*	.803	.393	.194	1.093 P	157.8	125.6
3	.939	.309	.201	1.003	162.0	127.4
4	.976	.307	.207	1.114	164.3	128.1
YEAR	.950	.342	.208	1.156	159.9	126.3
% change from '89	-5.3	-8.4	4.9	-13.6	7.6	7.0
1991:1	.972	.300	.209	1.104	168.4	130.1
2	.996	.328	.218	1.171	170.8	132.6
3	1.109	.346	.232	1.303	174.1	134.7
4	1.011	.337	.209	1.347	175.2	135.1
YEAR	1.022	.328	.217	1.231	172.1	133.1
% change from '90	7.6	-4.0	4.5	6.5	7.7	5.4
1992:1	1.065	.321	.214	1.178	178.6	137.3
2	1.107	.369	.246	1.243	183.5	140.2
3	1.158	.387	.249	1.474	185.2	142.1
4	1.102	.376	.201	1.328	190.3	144.3
YEAR	1.108	.363	.228	1.306	184.4	141.0
% change from '91	8.4	10.8	4.8	6.1	7.1	5.9

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ 2.38%	Light Truck Sales
+ 2.24%	Domestic Car Sales
+ 1.10%	Shipments
+ 1.03%	Total Car Sales
0.00%	Dealer Inventory
- 1.67%	Imported Car Sales

THE AUTOMOBILE INDUSTRY HAS BEEN, AND CONTINUES TO BE, ONE OF THE MAIN PILLARS OF THE U S ECONOMY. IF IT PERFORMS WELL, OR RELATIVELY WELL AT LEAST, WHY DON'T THE DOOMSAYERS AND MANY MEDIA PAY ATTENTION?

The 10 U.S. automakers plan to build 1.742 mil. cars in the fourth quarter of this year, up from 1.589 mil. cars build in the fourth quarter of last year.

This is an optimistic outlook which certainly does not fit with views of eternal doomsayers who are persistently forecasting the recession to be around the corner "without telling any further specifics about such 'corner'" notably the time specifics.

Comparing the car and truck plans in the third quarter of this year, the situation, again, does not point to recessionary trends.

The latest third-quarter production plans of the US automakers (Wall Street Journal, September 24, B9):

1990:3	1989:3	% change
Cars (mil. units)		
1.456	1.399	+ 4.1
Trucks (mil. units)		
.928	.845	+ 9.8

TABLE 1.42
AUTOMOBILES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inven- tory n.s.a. **	Factory car ship- ments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9	7.1	2.8	1.7	7.2	4.1 R
1990:1*	9.7	6.7	3.0	1.5	6.5	4.0 R
2*	9.6	6.8	2.8	1.5	6.9	4.4 R
3	9.9	6.9	3.0	1.6	7.0	4.5
4	10.0	7.0	3.0	1.7	7.1	4.3
YEAR	9.8	6.8	3.0	1.7	6.9	4.3
% change from '89	-1.0	-3.5	5.4	0.0	-4.5	4.9
1991:1	9.8	6.8	3.0	1.7	7.3	4.4
2	10.3	7.2	3.1	1.6	7.4	4.7
3	10.8	7.6	3.2	1.7	7.6	4.7
4	10.6	7.6	3.0	1.8	7.7	4.6
YEAR	10.4	7.3	3.1	1.8	7.5	4.6
% change from '90	5.9	1.6	4.2	5.9	9.1	7.0
1992:1	9.2	6.1	3.1	1.7	7.7	4.6
2	10.6	7.4	3.2	1.7	7.6	4.8
3	11.3	8.2	3.1	1.8	8.0	4.9
4	10.9	7.7	3.2	1.8	7.7	4.6
YEAR	10.5	7.3	3.2	1.8	7.8	4.7
% change from '91	1.2	-1.2	2.4	0.0	3.3	2.7

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+24.00%	Federal Surplus Deficit
+ 2.21%	State Income Tax
+ .16%	Federal Income Tax
- 1.83%	Corporate Profit Tax Accrued
-12.28%	State Surplus Deficit
-18.73%	State Corp. Tax Accrued

KEDI FORECAST DATA INCORPORATE THE $50 BIL. FEDERAL BUDGET DEFICIT REDUCTION IN FISCAL YEAR 1991, WHICH BEGINS OCTOBER 1.

It is anticipated that the Administration-Congress agreement on taxation and spending will be achieved either before the Gramm-Rudman-Hollings deadline of October 1, or shortly after, which will, in fact, eliminate the effects of automatic spending cuts.

So far, KEDI simulations of long-term deficit reductions by $500 bil. in fiscal years 1991-1993 have shown that such goal is hardly achievable unless more specifics on adjustments of taxes and spending, unknown at the present time because negotiations are still taking place, will be available.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL----------*			*---STATE AND LOCAL----*		
	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	464.0 R	110.4 R	-134.3 R	194.3 R	24.7 R	46.4
1990:1*	473.6 R	106.5	-168.3 R	201.5	23.3 R	38.1 R
2*	489.4	102.1 P	-171.2 P	204.3	24.4	39.6
3	501.8	100.2	-172.3	208.9	25.0	41.4
4	511.2	103.5	-179.6	211.6	27.1	43.0
YEAR	494.0	103.1	-172.8	206.6	24.9	40.5
% change from '89	6.5	-6.6	28.7	6.3	1.0	-12.7
1991:1	525.4	108.7	-164.3	212.5	29.2	45.7
2	532.3	119.6	-157.2	215.1	31.4	47.8
3	547.7	124.8	-138.4	220.8	34.3	48.5
4	558.2	125.4	-112.6	224.4	36.2	50.0
YEAR	540.9	119.6	-143.1	218.2	32.8	48.0
% change from '90	9.5	16.1	-17.2	5.6	31.4	18.4
1992:1	577.4	126.7	-107.2	228.5	37.7	51.1
2	588.3	130.4	6104.3	231.1	38.5	52.2
3	599.3	134.3	-92.7	238.5	39.9	54.3
4	614.2	140.0	-90.6	247.8	40.7	55.8
YEAR	594.8	132.8	1453.5	236.5	39.2	53.4
% change from '91	10.0	11.1	-1115.5	8.4	19.6	11.1

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change from August 1990 Forecast

- .10%	Average Weekly Earnings
- .28%	Personal Income
- .46%	Personal Disp. Income
- .52%	Comp. of Employees
- 1.64%	Corporate After Tax Profit
- 2.54%	Personal Savings

IN AUGUST, PERSONAL INCOME GREW BY .3%, A GOOD PERFORMANCE, IN LINE WITH MODERATE BUT STEADY INCREASES WHICH TOOK PLACE THROUGHOUT THE JANUARY-JULY PERIOD.

Forecase data for the rest of this year indicate such moderate trend will continue. Main factors that support KEDI forecast of the regular upward trend in personal income are:

- continuous though slow upward trend in employment
- no declines expected in number of weekly man-hours in manufacturing
- slight, but continuous increases in farm income
- flat trend in the amount of dividends
- fairly good gains in social security and related benefits.

All of these add up to a moderate upward trend in personal income, and the majority of its components in the rest of this year and beyond.

The outlook for corporate profits is not as optimistic when compared to that of personal income. Forecast data for this and the next year show that significant differences in profits in industries and segments of the economy will continue to prevail.

TABLE 1.60
INCOME

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4384.3	3725.5	3079.0	172.6	171.8	431.6
1990:1*	4562.8	3887.7	3182.4	167.1	191.3	434.4
2*	4616.7P	3923.0P	3289.1P	159.8P	199.1P	444.3
3	4675.2	3964.5	3390.4	160.3	217.4	449.0
4	4789.4	4066.6	3480.3	164.7	224.5	454.1
YEAR	4661.0	3960.5	3335.6	163.0	208.1	445.4
% change from '89	6.3	6.3	8.3	-5.6	21.1	3.2
1991:1	5064.2	4326.3	3592.3	170.5	229.8	456.3
2	5147.5	4400.1	3647.2	172.3	234.8	459.2
3	5259.7	4491.2	3691.1	180.2	234.9	461.3
4	5384.6	4602.0	3764.1	183.6	229.5	464.3
YEAR	5214.0	4454.9	3673.7	176.7	232.2	460.3
% change from '90	11.9	12.5	10.1	8.4	11.6	3.3
1992:1	5512.8	4706.9	3853.2	190.3	235.7	471.4
2	5609.7	4790.3	3927.1	193.2	242.6	474.5
3	5716.8	4879.0	4014.5	196.3	247.3	480.7
4	5905.8	5043.8	4142.3	200.9	252.6	487.0
YEAR	5686.3	4855.0	3984.3	195.2	244.6	478.4
% change from '91	9.1	9.0	8.5	10.5	5.3	3.9

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
August 1990
Forecast

+ .63%	Large Denom. Time Deposits
+ .53%	Consumer Install. Credit
+ .17%	Time Deposits
+ .15%	Consumer & Demand Deposits
- .05%	Comm. & Indust. Loans at Banks
- .17%	Mortg. at Savings Inst'ns

FORECAST DATA ON MONEY AND CREDIT MARKETS FOR THE REST OF THIS YEAR AND IN 1991-1992 SHOW THAT TIGHT CONDITIONS WILL PREVAIL FOR MOST OF THE FORECAST PERIOD.

KEDI forecast incorporates the effects of the $50 bil. Federal budget deficit cut in fiscal year 1991 and $90 bil. cut in FY 1992. However, the data indicate that such effects will be minimal and will not result in any significant relaxation in financial markets.

Forecast data call for significant increases in consumer credit, and in markets for certificates of deposit. Money supply M1 and M2 are expected to grow moderately within the respective 4-5% and 8-9% annual growth. Markets for mortgages and commercial and industrial loans are expected to remain slow for the most of the forecast period.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	782.7	3122.5	711.0	566.8	584.9	3386.4
1990:1*	795.1	3248.8	723.2 P	571.2 P	598.7 P	3439.6 P
2	811.2 P	3354.7 P	728.9 P	571.8 P	611.7 P	3415.8 P
3	819.8	3376.5	739.6	572.1	618.8	3459.2
4	826.1	3489.5	754.8	572.8	634.3	3500.1
YEAR	813.0	3367.4	754.8	572.8	634.3	3500.1
% change from '89	3.9	7.8	6.2	5.3	8.4	3.4
1991:1	838.3	3504.6	770.3	580.3	645.2	3598.1
2	842.5	3599.1	784.9	583.8	654.2	3622.4
3	853.5	3701.4	796.8	585.4	661.7	3669.2
4	859.2	3797.8	821.0	589.0	686.9	3716.4
YEAR	848.4	3650.7	821.0	589.0	686.9	3716.4
% change from '90	4.3	8.4	8.8	2.8	8.3	6.2
1992:1	868.3	3884.5	828.5	593.5	683.1	3798.2
2	876.1	3997.9	837.5	594.6	685.7	3902.6
3	883.7	4094.2	842.7	596.8	689.3	3998.7
4	889.6	4118.1	868.9	603.5	714.6	4040.8
YEAR	879.4	4023.7	868.9	603.5	714.6	4040.8
% change from '91	3.7	10.2	5.8	2.5	4.0	8.7

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990 FORECAST DATA

Percent Change from August 1990 Forecast

+ 1.22%	Conv. Mortg. Rate
+ .81%	20 Year Govt. Bond Yield
+ .58%	Aaa Corp. Bonds
+ .30%	Prime Rate
- .03%	Treas. Bills 2 mo. Avg.
- 2.58%	S & P's 500 Avg.

KEDI REITERATES ITS PREDICTION THAT THE COMBINATION OF INDICATORS OF RISING INFLATION NUMBERS AND SLUGGISHNESS IN THE ECONOMY WILL PRECLUDE THE FED TO TAKE A DECISIVE ACTION TO LOWER INTEREST RATES SOON.

New forecast data on interest rates do not anticipate any immediate impact of the Federal budget deficit cutting deal expected to be concluded in the next few days between the Administration and Congressional negotiators.

The basic rate of inflation is clearly heading up, the economy, though sluggish, still continues expanding, and trends in interest rates in the world are gradually moving upward reflecting the world-wide monetary and credit squeeze expected to continue in the foreseeable future. That suggests the role of the Federal Reserve in the coming months to be on the defensive side: to try to freeze the interest rates where they stay now rather than to push them down.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1989*	8.12	10.74	9.69	9.26	8.45	323.05
1990:1*	7.76	10.00	9.76	9.24	8.35	336.47
2*	7.78 P	10.00	9.81	9.63	8.61	335.17
3	7.57	10.00	9.64	9.69	8.85	320.25
4	7.56	10.00	9.70	9.74	8.91	317.60
YEAR	7.67	10.00	9.73	9.57	8.68	327.37
% change from '89	-5.6	-6.9	.4	3.4	2.7	1.3
1991:1	7.50	9.89	9.76	9.81	8.86	321.20
2	7.58	9.94	9.61	9.87	8.73	338.90
3	7.60	10.00	9.45	10.11	8.65	347.56
4	7.54	10.04	9.62	10.04	8.32	369.21
YEAR	7.55	9.97	9.61	9.96	8.64	344.22
% change from '90	-1.5	-.3	-1.2	4.0	-.5	5.1
1992:1	7.63	10.14	9.64	10.12	8.08	370.32
2	7.80	10.24	9.89	10.10	8.29	380.24
3	8.04	10.50	10.02	10.31	8.20	384.71
4	8.16	10.75	10.46	10.25	8.57	383.56
YEAR	7.91	10.41	10.00	10.20	8.29	379.71
% change from '91	4.7	4.4	4.1	2.4	-4.1	10.3

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, 3 month Treasury Bills Rate has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I forecast). Actual figure is in the Federal Reserve Bulletin, August 1989 issue, blue pages (U. S. Department of Commerce, Washington, D.C., monthly).

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
3 month Treasury Bills Rate
(1989, % year average)
Actual figure: 8.12%

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	6.9	-14.8
Prudential-Bache	12/88	6.5	-19.8
Merrill Lynch	12/88	6.6	-18.5
Blue Chip Indicators	12/88	7.2	-11.1
Chrysler Corporation	12/88	7.3	- 9.9
UCLA Forecasting Project	12/88	7.6	- 6.2
KEDI, Inc.	12/88	7.5	- 7.4

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36

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KEDI ECONOMIC SURVEY

October 1990

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SOURCES:

The U. S. Department of Commerce, first estimates of 1990:3, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, October 1990.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

Recent data on the economy continue to present a mixed bag of good and bad news.

Prices

The Consumer Price Index rose .8% in September matching the August figure.

Employment & Labor

The unemployment rate in September increased to 5.7% in August.

Housing

Construction of new houses fell a slight .6% in September compared to the August revised drop of 1%.

Automobiles

Sales of domestic vehicles rose 10.9% in mid-October giving a seas. adj. annual rate of 7.2 mil. units.

Budgets

The shift of spending power from Congress to the White House will give better management of the deficit.

Income

In 1990:3, Personal Income and Personal Disposable Income continued to grow at a healthy pace.

Money & Credit

Forecast data on monetary aggregates M1 and M2 indicate regular increases in 1990:4.

Interest Rates, Yields & Securities Prices

Interest rates will fall slightly this year with further declines in the middle of next year.

0.02 ASSUMPTIONS

		Last Update
1.	In 1990, the weighted price of oil will increase as compared to 1989. It will continue increasing in the 1990-1991 period.	April 1990
2.	Monetary and credit policies are expected to relax somewhat in the second half of this year, and tighten in second half of 1991.	October 1990
3.	In 1991 and 1992 good crops in most of the main producing countries are anticipated.	October 1990
4.	Foreign trade with China, the USSR, and East Europe will expand in 1990 and following years	January 1990
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	No drastic changes in international relationships are anticipated. Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

0.03 FORECAST HIGHLIGHTS

*	Table 0.00 on page 3 shows forecast data of selected indicators of the October 1990 KEDI forecast.	
*	The 1989 growth will slow down in 1990 and resume in 1991.	January 1990
*	The upward trend will continue throughout 1990-1992.	January 1987
*	Forecast data for 1990-1992 do not point to recession or major downturn.	January 1987
*	In the second half of 1990 interest rates will be declining slightly.	April 1990
*	Federal budget deficits will keep declining in 1992 and the following years.	October 1990
*	The 1990 export-import gap will start closing to a more acceptable level in 1991 and afterward.	October 1990

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1989, 1990 and 1991 are on pages indicated below.

Indicator	Unit	1989	1993	1994	1995
Gross national	bil. 82$	4117.7	4489.5	4615.2	4758.2
product, p. 5	% change	2.9	2.7	2.8	3.1
Index of indust.	1977=100	108.1	118.8	122.7	126.9
prod., p. 5	% change	3.3	2.5	3.3	3.4
Capacity	%	84.0	84.2	83.7	83.0
utiliz., p. 5	% change	.6	.2	-.6	-.8
Unemployment	%	5.2	5.3	5.5	5.4
rate, p. 5	% change	-4.6	.1	-1.2	-1.1
Private housing	mil.units	1.4	1.5	1.4	1.5
starts, p. 5	% change	-5.8	4.1	-5.8	4.7
Car sales,	mil.units	10.1	10.9	11.2	11.6
p. 5	% change	-5.2	3.2	2.8	4.0
Implicit GNP	1982=100	126.3	157.6	163.4	168.8
price def.,p.11	% change	4.4	3.8	3.7	3.3
Consumer Price	1967=100	124.0	153.0	158.5	164.5
Index, p. 11	% change	4.7	3.7	3.6	3.8
Prod.Price Index	1967=100	113.5	151.3	157.4	163.5
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-145.7	-122.8	-97.7	-79.3
p. 21	% change	-1.5	-17.9	-20.4	-18.9
Personal Income	bil. $	4384.3	6355.9	6839.0	7399.8
p. 23	% change	9.0	7.8	7.6	8.2
Prime Rate	%	10.7	10.1	10.8	11.7
p. 27	% change	14.4	-2.0	7.0	8.0
Mortgage Rate	%	9.6	10.5	10.8	10.6
p. 27	% change	10.0	5.0	2.7	-1.8
Currency+demand	bil. $	782.7	928.7	984.4	1044.5
deposits , p. 25	% change	1.3	5.4	6.0	6.1
Commercial+ind.	bil. $	564.3	579.5	596.3	610.1
loans, p. 25	% change	5.3	2.7	2.9	2.3
Raw steel	mil.sh.tons	91.2	94.1	95.1	94.9
production	% change	-.9	-.7	1.1	-.2
Electric power	mil.kw-hr	2864	3032.4	3147.6	3276.7
production	% change	3.1	3.5	3.8	4.1
Bituminous coal	mil.sh.tons	941	986	998.8	1013.8
production	% change	1.2	1.0	1.3	1.5
Crude oil	avg. daily bbl.	3002	3142	3173.7	3202.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2312.2	2476.4	2657.2
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES

1.11 REAL GROWTH

See Table 1.11
Page 5

RECENT DATA ON THE ECONOMY CONTINUE TO PRESENT A MIXED BAG OF GOOD AND BAD NEWS.

Considering all data, 1990:3 was NOT in recession and, as it pertains to 1990:4 and beyond, there is no serious downturn on the horizon. Data that indicate the path of developments in coming months support this conclusion:

* The first estimate of GNP and components for 1990:3 shows a further significant increase in consumer spending compared to the already high levels attained in 1990:2.
* New factory orders in August rose a seas. adjusted $244.59 bil. from a revised $240.26 bil. in July.
* Unemployment in September rose only slightly and still remains within tolerable levels.
* Industrial production rose in September by .2% after 4 consecutive months of increases stimulated by a 7.5% spurt in car production. Output of durable mfg. rose .2% along with non-durables at .2%; mines, .4%; and utilities, .9%.
* Business sales rose in September by 2.1% while inventories in mfg. and trade increased an insignificant .5%.
* In August, factory shipments rose to $245.86 bil. from a revised $237.83 bil. in July.
* Spending on construction in August rose to a seas. adj. rate of $442.5 bil. from a revised $442.4 bil. in July.
* The Index of Purchasing Manager declined in September to its lowest level since December 1982.
* In August, the U. S. trade deficit widened to a record $9.34 bil. from $9.12 bil. in July. Excluding petroleum, the gap narrowed by $5 bil.
* September durable goods orders declined slightly from their high August levels.

1990 FORECAST DATA

Percent Change from September 1990 Forecast

+ .92%	Unemployment
+ .26%	Autos
+ .09%	Capacity Util.
- .21%	GNP
- .27%	Index Indust. Prod.
- 5.79%	Private Housing Starts

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR Unit	GNP $82 bil.	Index of ind. prod. 1987=100	Unem-ploy ment %	Capacity util'n rate %	Private housing starts mil.	Auto sales mil.
Year & Qtr.						
1989*	4117.7	108.1	5.29	84.0	1.376	9.9
1990:1*	4150.6	108.0	5.26	82.6	1.440	9.7
2*	4155.1R	109.4R	5.29R	82.6R	1.196	9.6
3	4173.6P	109.9P	5.59	82.4	1.142P	10.0
4	4176.2	110.3	5.74	83.5	1.121	10.0
YEAR	4163.9	109.4	5.47	82.8	1.2	9.8
% change from '89	1.1	1.2	3.4	-1.5	-11.0	-.8
1991:1	4182.1	110.5	5.78	83.2	1.206	9.9
2	4202.3	111.3	5.74	83.0	1.274	10.3
3	4225.9	112.2	5.64	83.1	1.647	10.7
4	4259.4	113.1	5.57	83.2	1.348	10.6
YEAR	4217.4	111.8	5.68	83.1	1.369	10.4
% change from '90	1.3	2.2	3.9	.4	11.8	5.6
1992:1	4301.2	113.8	5.40	83.4	1.326	9.2
2	4349.6	115.0	5.33	84.0	1.436	10.6
3	4400.1	116.8	5.28	84.4	1.515	11.5
4	4434.8	118.1	5.26	84.3	1.448	10.9
YEAR	4371.4	115.9	5.32	84.0	1.431	10.6
% change from '91	3.7	3.7	-6.4	1.1	4.6	1.7

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

RETAIL SALES ROSE IN SEPTEMBER TO A SEASONALLY ADJUSTED $151.24 BIL. FROM A REVISED $149.64 BIL. IN AUGUST.

This represents a 1.1% increase lead mainly by the fast-rising prices of gasoline. If gasoline were left out, the sales increase would have been .8%.

Sales of durable goods advanced 1.4% and sales of nondurables, .9%.

The future outlook calls for increases for the rest of the year and throughout 1991. However, most of the increases are expected to stem from price hikes, rather than from increases in volumes.

Forecast data indicate gradual and persistent increases in grocery stores, continuous gains in sales of petroleum products, and good performance in consumer durables.

Data for apparel, textile, shoes, leather products, and department stores in general show continuous weaknesses prevailing through most of 1991.

1990 FORECAST DATA

Percent Change from September 1990 Forecast

- .30%	Retail Sales Durable
- .36%	Retail Sales Total
- .39%	Retail Sales Nondurable
- .40%	Pers. Con. Expend. Durable
- .64%	Pers. Con. Expend. Nondurable
- 1.09%	Pers. Cons. Expend. Services

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	--Personal Cons. Expend.-			*------Retail Sales-------*		
INDICATOR	Durables	Nondurables	Services	Total	Durables	Nondurables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1989*	474.6	1130.0	1845.5	1733.7	645.6	1088.2
1990:1*	492.1	1174.7	1921.3	1796.4	663.6	1135.8
2*	478.4	1179.0	1965.3	1799.3P	689.4P	1109.9P
3	497.0P	1200.1P	1988.1P	1823.2	694.1	1129.1
4	510.2	1249.7	2019.6	1870.6	710.5	1160.1
YEAR	494.4	1200.9	1973.6	1822.4	689.4	1133.7
% change from '89	4.2	6.3	6.9	5.1	6.8	4.2
1991:1	509.3	1266.5	2141.4	1908.5	720.3	1188.2
2	518.4	1283.4	2217.2	1964.3	733.5	1230.8
3	540.5	1309.7	2304.1	2002.1	741.3	1260.8
4	556.7	1337.1	2377.4	2042.3	780.1	1262.2
YEAR	531.2	1299.2	2260.0	1979.3	743.8	1235.5
% change from '90	7.4	8.2	14.5	8.6	7.9	9.0
1992:1	570.4	1358.6	2451.3	2100.2	804.2	1296.0
2	590.6	1382.5	2539.0	2120.4	810.5	1309.9
3	607.4	1411.1	2682.2	2154.2	828.2	1326.0
4	618.2	1430.6	2734.0	2204.9	850.9	1354.0
YEAR	596.6	1395.7	2601.7	2144.9	823.5	1321.5
% change from '91	12.3	7.4	15.1	8.4	10.7	7.0

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

U. S. DEPARTMENT OF COMMERCE FIRST ESTIMATE OF GNP AND COMPONENTS FOR 1990:3 SHOW THAT THE ECONOMY GREW AT THE RATE OF 1.8%.

This is a significant increase compared to the growth rate of .4% in 1990:2. The main factor contributing to the third quarter outcome was Personal Consumption expenditures which increased by 3.6% offsetting the negative impact of net exports.

Though the first release of GNP 1990:3 figures is subject to two revisions, which may possibly reduce the 1.8% growth rate a bit, data show convincingly that the economy in 1990:3 was not in the bad shape some doomsayers and media attempted to depict.

Especially encouraging are data for personal consumption which demonstrate strong and persisting consumer spending, contrary to panic reports about the erosion of consumer confidence as spread by some economists and media in the last months.

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

+15.61%	Net Exports
+ .15%	Gross Private Dom. Inv.
+ .07%	Federal Govt. Purch.
- .04%	State & Local Purch.
- .14%	Pers. Cons. Expend.
- .21%	GNP

TABLE 1.13
REAL GNP

Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Gross National Product					
	Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & Qtr.						
1989*	4117.7	2656.8	716.9	-54.1	334.9	463.2
1990:1*	4150.6	2667.3	700.7	-35.4	333.0	475.0
2*	4155.1	2678.8	700.7	-44.6	345.9	474.3
3	4173.6P	2702.7P	700.6P	-52.5P	345.6P	478.2P
4	4176.2	2688.2	705.8	-49.7	351.6	480.3
YEAR	4163.9	2686.8	702.0	-45.5	344.0	476.7
% change from '89	1.1	1.1	-2.1	-15.8	2.7	2.9
1991:1	4182.1	2685.0	705.2	-48.6	354.9	485.6
2	4202.3	2693.2	707.8	-44.2	356.8	488.7
3	4225.9	2703.6	711.7	-39.4	359.7	490.3
4	4259.4	2721.1	717.1	-35.2	363.6	492.8
YEAR	4217.4	2700.7	710.5	-41.9	358.8	489.4
% change from '90	1.3	.5	1.2	-8.1	4.3	2.7
1992:1	4301.2	2749.8	721.3	-30.6	366.2	494.5
2	4349.6	2784.3	724.5	-28.6	369.7	499.7
3	4400.1	2819.6	727.2	-24.3	370.3	507.3
4	4434.8	2842.0	730.9	-23.9	374.1	511.7
YEAR	4371.4	2798.9	726.0	-26.9	370.1	503.3
% change from '91	3.7	3.6	2.2	-35.8	3.2	2.9

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

+	.82%	Producer Price Index
+	.42%	Consumer Price Index
+	.14%	State & Local Purch.
+	.04%	Federal Govt. Purch
-	.30%	GNP
-	.56%	Pers. Cons. Expend.

THE CONSUMER PRICE INDEX ROSE .8% IN SEPTEMBER MATCHING THE AUGUST FIGURE.

Energy prices were up 5.6% for the month, but outside of the energy sector, consumer prices advanced only .4%.

The Producer Index rose 1.6% in September, in addition to the 1.3% increase in August, mainly due to the price hike of oil.

Forecast data indicate hard times will continue in the months ahead. It is assumed that the oil shock is temporary. Based on this assumption, forecast data point to a return to a more normal trend of around +4% annual rates in CPI and +3-4% in the producer price level is predicted to start not earlier than in the second half of 1991.

TABLE 1.21
PRICES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

	---Indexes--		*-------Price deflators--------*			
INDICATOR	Cons. price index n.s.a.**	Prod. price index n.s.a.**	Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1989*	124.0	113.6	126.3	126.3	119.4	135.1
1990:1*	128.0	117.4	129.5	134.0	123.3	138.9
2*	129.3	117.5	131.0	135.2	122.0	140.1
3	133.9	120.9	132.1	137.1	123.8	142.9
4	135.8	126.5	135.0	140.6	125.1	144.9
YEAR	131.8	120.6	131.9	136.7	123.5	141.7
% change from '89	6.2	6.1	4.4	8.3	3.5	4.9
1991:1	137.4	129.7	138.9	145.9	128.3	147.1
2	138.9	135.9	141.0	149.2	129.8	148.0
3	140.8	137.5	144.0	153.7	131.2	150.6
4	143.3	138.7	146.3	157.0	132.8	152.3
YEAR	140.1	135.4	142.6	151.4	130.5	149.5
% change from '90	6.3	12.3	8.1	10.8	5.6	5.5
1992:1	145.7	140.2	148.3	159.3	134.5	154.7
2	146.9	143.7	150.4	162.1	134.9	156.9
3	148.4	145.9	153.6	166.7	136.1	157.9
4	149.2	147.3	154.9	168.3	137.4	159.2
YEAR	147.6	144.3	151.8	164.1	135.7	157.2
% change from '91	5.3	6.5	6.5	8.4	4.0	5.1

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

+11.90%	Net Exports
+ .49%	Gross Private Dom. Inv.
+ .17%	State & Local Purch.
+ .24%	Federal Govt. Purch.
- .57%	GNP
- .85^	Pers. Cons. Expend.

FIRST ESTIMATE DATA FOR THE GNP OF 1990:3 BY THE U. S. DEPT. OF COMMERCE POINT IN A POSITIVE DIRECTION.

The third quarter GNP increased at a faster rate than it did in 1990:2.

Especially encouraging are data for Personal Consumption Expenditures which show that consumers had not abstained from spending, contrary to expectations of negatively-minded economists and media.

Data show healthy gains in spending on consumer durables, especially automobiles, and strong increases in spending on services.

On the other side, the most disturbing component is net exports which deteriorated significantly when compared to the first and second quarters of this year mainly due to increased imports of oil.

Data on the other components of nominal GNP for 1990:3 show a slow growth in business capital outlays, continuous, though small declines in residential construction, insignificant increase in inventories, and regular increment in spending of state and local governments.

TABLE 1.22
NOMINAL GNP

Quarterly data are seasonally adjusted at annual rates.

	*-----------Gross National Product					---------------*
INDICATOR	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	5200.8	3450.1	771.2	-46.1	400.0	625.6
1990:1*	5375.4	3588.1	747.2	-30.0	410.6	659.6
2*	5443.3	3622.7	759.0	-24.9	421.9	664.6
3	5513.3	3685.2	754.0	-31.3	421.3	684.1
4	5637.9	3779.5	756.8	-34.2	439.9	696.0
YEAR	5492.5	3668.9	754.2	-30.1	423.4	676.1
% change from '89	5.6	6.3	-2.2	-34.7	5.9	8.1
1991:1	5808.9	3917.2	758.4	-36.3	455.3	714.3
2	5925.2	4019.0	759.2	-39.4	463.1	723.3
3	6085.3	4154.3	762.1	-41.4	471.9	738.4
4	6231.5	4271.2	767.2	-40.3	482.9	750.5
YEAR	6012.7	4090.4	761.7	-39.3	468.3	731.6
% change from '90	9.5	11.5	1.0	30.7	10.6	8.2
1992:1	6378.7	4380.3	774.2	-33.4	492.5	765.0
2	6541.8	4512.1	780.6	-33.7	498.7	784.0
3	6758.6	4700.7	783.4	-30.6	504.0	801.0
4	6869.5	4782.8	788.6	-[illegible].5	514.0	814.6
YEAR	6637.1	4594.0	781.7	-32.0	502.3	791.2
% change from '91	10.4	12.3	2.6	-18.6	7.3	8.1

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1990 FORECAST DATA

Percent Change from September 1990 Forecast

+ .92%	Unemployment
0.00%	Agriculture
0.00%	Civilian Labor Force
- .13%	Population
- .24%	Total Employed
- .25%	Non Agriculture

THE UNEMPLOYMENT RATE IN SEPTEMBER INCREASED TO 5.7% FROM 5.6% IN AUGUST.

Forecast data for 1990:4 suggest the 5.7-5.8% rate will prevail. It will peak in 1991:1 and will start declining afterward.

In general, the 5.7-5.8% unemployment rate is not too good but not too bad either. It stays within tolerable limits of 5.5-6.0% considered by most economists as commensurate with the economy in the state of slow expansion.

KEDI's employment outlook for 1991 and afterward is optimistic.

Next year main improvements in the job market will occur in the construction industry, exporting industries, and in service industries, notably health and transportation.

TABLE 1.30
EMPLOYMENT & LABOR

Quarterly data are seasonally adjusted at annual rates.

			-------Employment-------			
INDICATOR	Population	Civil. labor force	Total	Agricult.	Non-agric.	Unemployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1989*	258.1	123.9	117.3	3.2	114.1	5.29
1990:1*	259.4	124.6	118.0	3.2	114.8	5.26
2*	260.3	124.9	118.2	3.2	115.0	5.29
3*	261.3	125.4	118.4	3.2	115.2	5.59
4	262.4	125.9	118.7	3.2	115.5	5.74
YEAR	260.9	125.2	118.0	3.2	114.8	5.47
% change from '89	1.1	1.0	1.0	0.0	.6	3.4
1991:1	263.4	126.5	119.2	3.2	116.0	5.78
2	264.5	127.0	119.7	3.2	116.5	5.74
3	265.1	127.6	120.4	3.2	117.2	5.64
4	266.4	128.1	121.0	3.2	117.8	5.57
YEAR	264.9	127.3	120.1	3.2	116.9	5.68
% change from '90	1.5	1.7	1.6	0.0	1.8	3.88
1992:1	267.3	128.9	121.9	3.2	118.7	5.40
2	268.4	129.7	122.8	3.2	119.6	5.33
3	269.2	130.6	123.7	3.2	120.5	5.28
4	269.2	131.4	124.5	3.2	121.3	5.26
YEAR	268.5	130.2	123.2	3.2	120.0	5.32
% change from '91	1.4	2.2	2.4	0.0	2.7	-6.42

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*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

0.00%	1-family housing existing
- .06%	1-family housing new
- 1.17%	Multiple family housing starts
- 2.12%	Permits issued
- 3.25%	Mobile home shipments
- 6.66%	Single family housing starts

CONSTRUCTION OF NEW HOUSES FELL A SLIGHT .6% IN SEPTEMBER COMPARED TO THE AUGUST REVISED DROP OF 1%.

The September rate was 1.14 mil. units, still quite above the 1.04 mil. rate experienced in August 1982, the trough of the recession year. Important news is that single-family housing continued advancing: 4.3% above the August level.

Indications are that housing is hitting the bottom. Forecast data point to 1990:4 as being slow, and 1991:1 is expected to show that the worst is over.

Gradual gains in building activity of single-family and multi-family housing are forecasted for 1991 and afterward.

TABLE 1.41
HOUSING

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home ship-ments	Permits author-ized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1989*	1.003	.373	.198	1.338	148.5	118.0
1990:1*	1.083	.357	.229	1.416	155.3	124.1
2*	.803	.393	.191	1.093	157.6	125.6
3	.831	.311	.188	1.003	162.0	127.4
4	.830	.291	.197	1.014	164.3	128.1
YEAR	.887	.338	.201	1.131	159.8	126.3
% change from '89	-11.6	-9.4	1.6	-15.4	7.6	7.0
1991:1	.922	.284	.202	1.074	168.4	130.1
2	.946	.328	.218	1.171	170.8	132.6
3	1.059	.330	.222	1.213	174.1	134.7
4	1.011	.337	.209	1.307	175.2	135.1
YEAR	.984	.320	.213	1.191	172.1	133.1
% change from '90	11.0	-5.4	5.7	5.3	7.7	5.4
1992:1	1.005	.321	.214	1.178	178.6	137.3
2	1.077	.359	.246	1.243	183.5	140.2
3	1.128	.387	.249	1.474	185.2	142.1
4	1.102	.346	.201	1.328	190.3	144.3
YEAR	1.078	.353	.228	1.306	184.4	141.0
% change from '91	9.5	10.5	6.9	9.6	7.1	5.9

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*Historical data. R = Revised. P = Preliminary.

**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

+ 1.10%	Domestic Car Sales
+ .36%	Shipments
+ .26%	Total Car Sales
0.00%	Dealer Inventory
0.00%	Light Truck Sales
- 1.67%	Imported Car Sales

SALES OF DOMESTIC VEHICLES ROSE 10.9% IN MID-OCTOBER.

On a seasonally adjusted basis, cars produced in the U.S.A. sole at an annual rate of 7.2 mil., well ahead of the 6.1 mil. rate recorded in the same period last year, and sllightly ahead of the 7 mil. trend for 1990 to date.

Light-duty trucks also performed well. They gained 4.3% over last year's comparable period.

There is no doubt that generous incentives have helped car sales remain robust. More important, however, is that consumers retained their confidence, despite the oil shock of August.

Analyses of traditional doomsayers, who have kept predicting the decline in car sales, have proven, again, to be wrong.

KEDI forecast of production and sales of cars for the rest of this year and in 1991 remains optimistic: strong market for motor vehicles is expected to continue without any significant drops.

TABLE 1.42
AUTOMOBILES

Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1989*	9.9	7.1	2.8	1.7	7.2	4.1
1990:1*	9.7	6.7	3.0	1.5	6.5	4.0
2*	9.6	6.8	2.8	1.5	6.9	4.4
3	10.0	7.0	3.0	1.6	7.1	4.5
4	10.0	7.0	3.0	1.7	7.2	4.3
YEAR	9.8	6.9	3.0	1.7	6.9	4.3
% change from '89	-.8	-3.2	5.4	0.0	-3.8	4.9
1991:1	9.9	6.9	3.0	1.7	7.0	4.4
2	10.3	7.2	3.1	1.6	7.3	4.7
3	10.7	7.5	3.2	1.7	7.6	4.7
4	10.6	7.6	3.0	1.8	7.5	4.6
YEAR	10.4	7.3	3.1	1.8	7.3	4.6
% change from '90	5.6	1.4	4.2	5.9	6.1	7.0
1992:1	9.2	6.1	3.1	1.7	7.5	4.6
2	10.6	7.4	3.2	1.7	7.6	4.8
3	11.5	8.4	3.1	1.8	7.7	4.9
4	10.9	7.7	3.2	1.8	7.7	4.6
YEAR	10.6	7.4	3.2	1.8	7.6	4.7
% change from '91	1.7	-.8	2.4	0.0	3.7	2.7

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1990 FORECAST DATA

Percent Change from September 1990 Forecast

+ 9.88%	Federal Surplus Deficit
+ 2.50%	State Corp. Tax Accrued
+ .20%	Federal Income Tax
+ .06%	State Income Tax
- .19%	Corporate Profit Tax Accrued
- .62%	State Surplus Deficit

THE $40 BILLION DEFICIT CUT ANTICIPATED FOR THIS FISCAL YEAR IS TOO SMALL TO AFFECT TRILLIONS OF DOLLARS OF ACTUAL FLOWS OF FUNDS IN FINANCIAL MARKETS.

Forecast data on Federal receipts and budgetary expenditures indicate that the short-term impact of the recent accord on budget will be psychological rather than actual.

The shift of spending power from the Congress to the White House is considered a step in the right direction which will allow the Administration, in the long run, to manage the federal deficit more efficiently.

KEDI forecast incorporates the $490 bil. Federal budget deficit cuts in five fiscal years. However, forecast data indicate that by the end of the fifth fiscal year, the Federal Budget deficit will still remain high, and not matched by the expected surpluses of state and local budgets.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

	-----FEDERAL----------			*---STATE AND LOCAL----*		
INDICATOR	Income taxes	Corp. profits tax accru.	Surplus /deficit	Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	464.0	110.4	-134.3	194.3	24.7	46.4
1990:1*	473.6	106.5	-168.3	201.5	23.3	38.1
2*	489.4	102.1P	-173.2P	204.3	24.4	39.2
3	502.7	99.6P	-203.	209.3	25.1	41.0
4	514.3	103.4	-214.7	211.8	27.2	42.7
YEAR	495.0	102.9	-189.9	206.7	25.0	40.2
% change from '89	6.7	-6.8	41.4	6.4	1.2	-13.3
1991:1	525.8	105.7	-208.4	212.9	29.4	44.7
2	533.8	109.4	-202.2	216.1	31.4	47.1
3	549.5	114.8	-201.5	221.4	34.3	48.5
4	560.8	119.4	-192.7	224.9	36.2	50.0
YEAR	542.5	112.3	-201.2	218.8	32.8	47.6
% change from '90	9.6	9.2	6.0	5.9	31.3	18.2
1992:1	580.5	124.7	-177.2	229.7	37.7	51.1
2	589.3	128.5	-160.4	233.4	38.8	52.4
3	604.4	130.3	-140.1	240.7	39.9	54.3
4	617.3	136.0	-120.5	247.8	40.7	55.8
YEAR	597.9	129.9	-149.6	237.9	39.3	53.4
% change from '91	10.2	15.6	-25.7	8.7	19.6	12.2

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

+ 2.16%	Corporate After Tax Profit
+ .05%	Comp. of Employees
- .08%	Adverage weekly earnings
- .69%	Personal Income
- .86%	Personal Disp. Income
- 2.16%	Personal Savings

IN 1990:3, PERSONAL INCOME AND PERSONAL DISPOSABLE INCOME CONTINUED TO GROW AT A HEALTHY PACE.

The largest component of Personal Income, compensation of employees in private industries, also increased by 1% after gains of 1.6% 1.3% in 1990:2.

Forecasts of PI and PDI for 1990:4 are also positive with some slowing down in the growth of both aggregates.

Corporate profits forecast data are not encouraging. Data point to sluggish growth throughout the rest of this year and well into 1991:1.

The energy price increases will take a significant toll on corporate profits in the transportation industry mainly in air transportation, in nondurables industries, mainly chemicals and products, plastics, rubber and products; in trade, and many services producing industries with large shares of energy items in their costs structures.

TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1989*	4384.3	3725.5	3079.0	172.6	171.8	431.6
1990:1*	4562.8	3887.7	3182.4	167.1	191.3	434.4
2*	4622.2	3925.7	3290.7	166.1	195.1	444.1
3	4664.7	3952.7	3392.7	164.5	207.5	448.6
4	4726.1	4000.0	3483.5	168.4	220.5	453.1
YEAR	4628.9	3926.5	3337.3	165.5	203.6	445.1
% change from '89	5.6	5.4	8.4	-3.5	18.5	3.1
1991:1	5085.6	4346.9	3580.3	170.5	229.1	456.4
2	5205.2	4455.3	3627.6	172.8	232.6	459.2
3	5367.7	4596.8	3681.3	180.4	234.9	461.8
4	5497.3	4711.6	3744.2	183.6	229.5	464.3
YEAR	5289.0	4527.7	3658.3	176.8	231.5	460.4
% change from '90	14.3	15.3	9.6	6.2	13.7	3.5
1992:1	5640.7	4830.5	3858.3	190.3	235.7	471.4
2	5796.7	4974.0	3927.1	193.2	242.6	474.5
3	6017.7	5172.6	4019.6	196.3	247.3	480.7
4	6129.0	5263.9	4142.3	200.9	252.6	487.0
YEAR	5896.1	5060.3	3986.8	195.2	244.6	478.4
% change from '91	11.5	11.8	9.0	10.4	5.6	3.9

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1990
FORECAST
DATA

Percent Change
from
September 1990
Forecast

+ 6.31%	Large denom. time deposits
+ 4.20%	Mortg. at all holders
+ .98%	Comm. & indus. Loans
+ .06%	Currency & demand deposits
0.00%	Cons. instal. credit
- 2.08%	Time deposits

FORECAST DATA ON MONETARY AGGREGATES M1 AND M2 INDICATE REGULAR INCREASES IN 1990:4 AND THROUGH THE FIRST HALF OF 1991, WITH SOME ACCELERATION OF GROWTH IN THE SECOND HALF OF 1991 AND AFTERWARD.

In the first half of 1991 the fastest growing components in markets for short-term funds are expected to be money market funds and certificates of deposit. Both are expected to slow down in the second half of next year.

In credit markets, the fastest growing aggregates are predicted for the Federal debt instruments and for the consumer installment credit.

Forecast data for S & P 500 indicate the stock market getting in better shape in the second quarter of next year and afterward.

Forecast data for 1991 call for a slow growth of corporate bonds supply throughout the next year, continuous price improvements in long-term Federal securities, and lackluster performance of markets for municipal bonds.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDI-CATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1989*	785.4R	3122.5	716.6R	568.8R	558.3R	3523.5R
1990:1*	800.3R	3249.3R	720.4R	574.3P	543.5R	3593.6R
2*	807.6R	3274.5R	724.9P	575.9P	561.7P	3595.8P
3	819.9	3276.5	739.6	576.1	668.8	3629.2
4	826.1	3389.5	754.8	578.4	674.3	3647.2
YEAR	813.5	3297.4	754.8	578.4	674.3	3647.2
% change from '89	3.6	5.6	5.3	5.3	20.8	590.1
1991:1	838.3	3404.2	770.3	582.3	685.2	3698.2
2	842.8	3499.7	784.9	584.7	694.2	3722.0
3	853.5	3601.4	796.8	585.4	691.2	3769.3
4	859.2	3697.8	821.0	589.0	693.9	3796.4
YEAR	848.5	3550.8	821.0	589.0	693.9	3796.4
% change from '90	4.3	7.7	8.8	1.8	2.9	4.1
1992:1	868.3	3784.4	828.5	593.5	698.1	3838.2
2	876.9	3867.9	837.5	594.6	705.7	3892.4
3	884.7	3954.2	842.7	598.8	719.6	3978.7
4	894.6	4018.1	868.9	603.5	724.7	4040.8
YEAR	881.1	3906.2	868.9	603.5	724.7	4040.8
% change from '91	3.9	10.0	5.8	2.5	4.4	6.4

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1990 FORECAST DATA

Percent Change from September 1990 Forecast

+ 2.03%	S & P's 500 Avg.
+ .33%	Conv. Mortg. Rate
0.00%	Prime Rate
- .26%	30 Year govt. bond yield
- .59%	Treas. Bills 3 mo. avg.
- 1.70%	Aaa corp. bonds

THE OUTLOOK FOR INTEREST RATES CALLS FOR VERY SMALL DECLINES TO THE END OF THIS YEAR AND SOME FURTHER DECLINES IN THE MIDDLE OF NEXT YEAR.

This year's declines are considered have more psychological rather than actual reason and motivated by some sort of a pledge from the Fed to relax the tight policy after the Federal budget deficit accord.

Data indicate that the anticipated $40 bil. Federal deficit cut in this fiscal year is just a "drop in the bucket" when compared to the $200 bil. plus deficit and the $6 trillion flow of funds in the U. S. financial markets.

It is anticipated that the Federal Reserve will continue to stress its policy of fighting inflation. The largest increases in prices are expected to take place in the balance of this year and in the 1991. That leads to the conclusion of more significant interest rate declines toward the end of the first half of next year or the beginning of the second half of 1991.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES

Quarterly averages of monthly figures.

INDICATOR Unit	Treas. bills 3 mo. yield %	Prime rate %	Conv. mortg rate %	Aaa corp. bond rate %	30 yr. Govt. bonds yield %	S & P's 500 Avg 1941-43 = 10
Year & Qtr.						
1989*	8.12	10.74	9.69	9.26	8.45	323.05
1990:1*	7.76	10.00	9.76	9.24	8.35	336.47
2*	7.78	10.00	9.83	9.34	8.61	349.63
3*	7.40	10.00	9.76	9.31	8.80	332.35
4	7.56	10.00	9.70	9.74	8.91	317.60
YEAR	7.62	10.00	9.76	9.41	8.67	334.01
% change from '89	-6.1	-6.9	.7	1.6	2.6	3.4
1991:1	7.40	9.92	9.70	9.41	8.86	322.24
2	7.48	9.98	9.67	9.69	8.73	335.90
3	7.60	10.00	9.54	9.71	8.65	342.56
4	7.54	10.04	9.62	9.54	8.32	359.41
YEAR	7.50	9.98	9.63	9.59	8.64	340.03
% change from '90	-1.6	-.2	-1.3	1.9	-.3	1.8
1992:1	7.63	10.14	9.64	9.82	8.18	367.32
2	7.80	10.24	9.89	9.90	8.29	375.28
3	8.04	10.50	10.02	10.01	8.20	380.72
4	8.16	10.35	10.46	10.05	8.57	378.56
YEAR	7.91	10.31	10.00	9.95	8.31	375.47
% change from '91	5.4	3.2	3.8	3.7	-3.8	10.4

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue the Index of Industrial Production has been selected for comparison. Forecast data have been published in New York Times, December 27, 1988, Business Section, page D1, and in The Journal of Business Forecasting Methods and Systems 7 (1988) 4, p. 42 (K.E.D.I. forecast). Actual figures is in the Survey of Current Business (U. S. Department of Commerce, Washington, D. C., monthly), 64 (1990), 3 blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Index of Industrial Production
(% increase from 1988 to 1989)
Actual figure: 3.3

Forecaster	Date of Forecast	Forecast	Accuracy %
Irving Trust Co.	12/88	3.7	+12.1
Salomon Brothers	12/88	4.4	+33.3
Morgan Guaranty	12/88	3.7	+12.1
Prudential-Bache	12/88	4.6	+39.4
Merrill Lynch	12/88	3.2	- 3.0
Blue Chip Indicators	12/88	3.0	- 9.1
Chrysler Corporation	12/88	2.2	-33.3
UCLA Forecasting Project	12/88	1.6	-51.5
KEDI, Inc.	12/88	3.5	- 6.1

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36